

LOWER ARKANSAS VALLEY
WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lower Arkansas Valley Water Conservancy District

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Lower Arkansas Valley Water Conservancy District, as of and for the year ended December 31, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Lower Arkansas Valley Water Conservancy District, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information

and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements as a whole. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hancock Froese & Company LLC

HANCOCK FROESE & COMPANY LLC

March 24, 2014

LAVWCD Management's Discussion and Analysis

Our discussion and analysis of the Lower Arkansas Valley Water Conservancy District's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2013. This information is presented in conjunction with the audited financial statements that follow this section.

Overview of the Financial Statements

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

District-Wide Financial Statements

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

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

Business-Type Activities - The District manages an enterprise activity, which develops and operates the District's water right assets. The activities of the water activity enterprise fund are supported by management fees from the general fund and water leasing.

Fund Financial Statements

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

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

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

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

District-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 20,996,781 at the end of the current year.

Financial Highlights

The total net position of the District exceeded its liabilities by \$20,996,781. Of this amount \$16,575,273 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's net position increased by \$1,108,928 during the current year. The net position of our governmental activities increased by \$492,612 and net position of our business-type activities increased by \$616,316.
- As of the close of the current year, the District's governmental activities reported combined ending fund balance of \$1,450,828 an increase of \$492,612 in comparison with the prior year balances of \$958,216.
- At the end of the current year, unrestricted net position for the governmental activities was \$1,270,046 or 79 percent of total general activities expenses of \$1,604,844.

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 2013 and 2012.

Statement of Net Position

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
2013			
Assets:			
Total Current Assets	\$ 3,273,440	\$ 318,042	\$ 3,591,482
Non-Current Assets Restricted	0	173,398	173,398
Total Capital Assets	129,482	4,067,328	4,196,810
Total Intangible Assets	0	15,075,060	15,075,060
TOTAL ASSETS	\$ 3,402,922	\$ 19,633,828	\$ 23,036,750
Liabilities:			
Current Liabilities	\$ 75,076	\$ 87,875	\$ 162,951
Deferred Inflows of Resources	1,877,018	0	1,877,018
Net Position	1,450,828	19,545,953	20,996,781
TOTAL LIABILITIES, DEFERRED INFLOWS NET POSITION	\$ 3,402,922	\$ 19,633,828	\$ 23,036,750

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
2012			
Assets:			
Total Current Assets	\$ 2,925,354	\$ 548,856	\$ 3,474,210
Non-Current Assets Restricted	0	163,072	163,072
Total Capital Assets	25,737	4,253,568	4,279,305
Total Intangible Assets	0	14,074,060	14,074,060
TOTAL ASSETS	\$2,951,091	\$ 19,044,556	\$ 21,995,647
Liabilities:			
Current Liabilities	\$ 1,992,875	\$ 114,919	\$ 2,107,794
Net Position	958,216	18,929,637	19,887,853
TOTAL LIABILITIES AND NET POSITION	\$ 2,951,091	\$ 19,044,556	\$ 21,995,647

Statement of Activities

The change in net position for the governmental activities was \$492,612 for the year ended December 31, 2013 and \$120,422 for the year ended December 31, 2012. The change in net position for the business-type activities was \$616,316 for the year ended December 31, 2013 and \$1,403,431 for the year ended December 31, 2012. 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 2013 and 2012:

2013	CHANGES IN NET POSITION						
	Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,604,844	\$ 0	\$ 0	\$ 0	\$ (1,604,844)	\$ 0	\$ (1,604,844)
TOTAL BUSINESS-TYPE ACTIVITIES	1,153,620	939,177	245,221	585,000	0	615,778	615,778
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,758,464</u>	<u>\$ 939,177</u>	<u>\$ 245,221</u>	<u>\$ 585,000</u>	(1,604,844)	615,778	(989,066)
TOTAL GENERAL REVENUES					2,097,456	538	2,097,994
CHANGE IN NET POSITION					<u>\$ 492,612</u>	<u>\$ 616,316</u>	<u>\$ 1,108,928</u>

2012	CHANGES IN NET POSITION						
	Functions	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,962,683	\$ 0	\$ 0	\$ 0	\$ (1,962,683)	\$ 0	\$ (1,962,683)
TOTAL BUSINESS-TYPE ACTIVITIES	1,549,450	1,416,190	518,434		0	385,174	385,174
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,512,133</u>	<u>\$1,416,190</u>	<u>\$ 518,434</u>		(1,962,683)	385,174	(1,577,509)
TOTAL GENERAL REVENUES AND TRANSFERS					2,083,105	1,018,257	3,101,362
CHANGE IN NET POSITION					<u>\$ 120,422</u>	<u>\$ 1,403,431</u>	<u>\$ 1,523,853</u>

GENERAL FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON GENERAL FUND

Revenues and expenditures budget comparison for year ended December 31, 2013:

2013	Final Budget	Actual
Total Revenues	\$ 2,051,400	\$ 2,097,456
Total Expenditures	2,482,500	1,708,589
Revenues over (under) Expenditures	(431,100)	388,867
Fund Balance January 1	932,479	932,479
Fund Balance December 31	501,379	1,321,346

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

Expenditures: Changes between actual expenditures and budgeted amounts were due to the overall actual capital outlay and contingency expenditures being less than the budgeted amount as well as no transfers being made in 2013.

WATER ACTIVITY ENTERPRISE FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON WATER ACTIVITY ENTERPRISE FUND

Revenues: Budget comparison for year ended December 31, 2013:

2013

Revenues:	Final Budget	Actual
Water Leasing	\$ 76,000	\$ 37,113
Fees	66,000	86,050
Management Fees	1,300,000	816,014
Grants and Other	251,000	370,221
Interest	1,500	538
Total Revenues	\$ 1,694,500	\$ 1,309,936

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

Expenditures: Budget comparison for year ended December 31, 2013:

2013

Expenditures:	Final Budget	Actual
Water Leases	\$ 50,000	\$ 27,014
Assistance to Other Entities	5,000	67,695
Water Storage Fees	95,000	77,995
Arkansas Irrigation Rules	200,000	92,456
Super Ditch	550,000	392,176
Pond Study	25,000	46,837
Grants	100,000	245,221
Depreciation	0	6,689
General and Administrative	150,200	145,695
Water Assessments and Costs	40,000	38,629
Water Education Campaign	0	3,787
Water Quality Study	10,000	0
Water Acquisitions	100,000	594
NEPA Storage	200,000	9,426
Purchased Conservation Easement	500,000	361,000
Total Expenditures	\$ 2,025,200	\$ 1,515,214

Changes between actual expenditures and budgeted amounts were primarily due to operational changes.

Capital Activity

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

A listing of water rights purchased by the District for 2013 is as follows:

1. Larkspur Inc. water rights — 8.50 shares of water with no land attached

Contacting the District's Financial Management

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

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

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

Lower Arkansas Valley Water Conservancy District

Attn: Jay Winner, Executive Director

801 Swink Ave

Rocky Ford, CO 81067

(719) 254-5115 phone

(719) 254-5150 fax

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 1,353,838	\$ 158,558	\$ 1,512,396
GRANTS RECEIVABLE	-	3,031	3,031
WATER INVENTORY	-	34,948	34,948
DUE FROM OTHER ENTITIES	2,125	23,040	25,165
DUE FROM OTHER FUND	(17,470)	17,470	-
ACCRUED INTEREST RECEIVABLE	586	-	586
DEPOSITS	57,343	-	57,343
TAXES RECEIVABLE	1,877,018	-	1,877,018
PREPAID WATER LEASES	-	80,995	80,995
	<u>3,273,440</u>	<u>318,042</u>	<u>3,591,482</u>
RESTRICTED ASSETS			
STEWARDSHIP CASH	-	173,398	173,398
CAPITAL ASSETS			
BUILDING AND OTHER - NET	113,747	127,587	241,334
LAND	15,735	32,380	48,115
WATER STOCK	-	3,907,361	3,907,361
	<u>129,482</u>	<u>4,067,328</u>	<u>4,196,810</u>
INTANGIBLE ASSETS			
CONSERVATION EASEMENTS	-	15,075,060	15,075,060
	<u>\$ 3,402,922</u>	<u>\$ 19,633,828</u>	<u>\$ 23,036,750</u>
LIABILITIES			
ACCOUNTS PAYABLE	\$ 18,141	\$ 73,820	\$ 91,961
ACCRUED EXPENSES	56,935	-	56,935
UNEARNED REVENUES - WATER LEASES	-	14,055	14,055
	<u>75,076</u>	<u>87,875</u>	<u>162,951</u>
DEFERRED INFLOWS OF RESOURCES			
DEFERRED REVENUES - PROPERTY TAXES	1,877,018	-	1,877,018
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	129,482	4,067,328	4,196,810
RESTRICTED FOR			
EMERGENCIES - TAVOR	51,300	-	51,300
STEWARDSHIP COSTS	-	173,398	173,398
UNRESTRICTED	1,270,046	15,305,227	16,575,273
	<u>1,450,828</u>	<u>19,545,953</u>	<u>20,996,781</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 3,402,922</u>	<u>\$ 19,633,828</u>	<u>\$ 23,036,750</u>

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

FUNCTIONS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES				
GENERAL GOVERNMENT	\$ 1,604,844	\$ -	\$ -	\$ -
TOTAL GOVERNMENTAL ACTIVITIES	1,604,844	-	-	-
BUSINESS-TYPE ACTIVITIES				
WATER CONSERVATION	1,153,620	939,177	245,221	585,000
TOTAL BUSINESS-TYPE ACTIVITIES	1,153,620	939,177	245,221	585,000
TOTAL PRIMARY GOVERNMENT	\$ 2,758,464	\$ 939,177	\$ 245,221	\$ 585,000
GENERAL REVENUES:				
TAXES				
INTEREST AND OTHER				
TOTAL GENERAL REVENUES				
CHANGE IN NET POSITION				
NET POSITION JANUARY 1				
NET POSITION DECEMBER 31				

SEE NOTES TO FINANCIAL STATEMENTS

CHANGES IN NET POSITION

<u>GOVERNMENTAL</u>	<u>BUSINESS</u>	
<u>ACTIVITIES</u>	<u>TYPE</u>	<u>TOTAL</u>
<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	
\$ (1,604,844)	\$ -	\$ (1,604,844)
<u>(1,604,844)</u>	<u>-</u>	<u>(1,604,844)</u>
-	615,778	615,778
-	615,778	615,778
<u>(1,604,844)</u>	<u>615,778</u>	<u>(989,066)</u>
2,087,485	-	2,087,485
9,971	538	10,509
<u>2,097,456</u>	<u>538</u>	<u>2,097,994</u>
492,612	616,316	1,108,928
<u>958,216</u>	<u>18,929,637</u>	<u>19,887,853</u>
<u>\$ 1,450,828</u>	<u>\$ 19,545,953</u>	<u>\$ 20,996,781</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2013

ASSETS

CASH IN BANKS	\$ 1,353,838
ACCRUED INTEREST RECEIVABLE	586
DEPOSITS	57,343
DUE FROM OTHER ENTITIES	2,125
TAXES RECEIVABLE	<u>1,877,018</u>
 TOTAL ASSETS	 <u><u>\$ 3,290,910</u></u>

LIABILITIES

ACCOUNTS PAYABLE	\$ 18,141
ACCRUED EXPENSES	56,935
DUE TO ENTERPRISE FUND	<u>17,470</u>
 TOTAL LIABILITIES	 <u>92,546</u>

DEFERRED INFLOWS OF RESOURCES
DEFERRED REVENUE - PROPERTY TAX

1,877,018

FUND BALANCE

RESTRICTED FOR EMERGENCIES - TABOR	51,300
ASSIGNED FOR FUTURE YEARS EXPENDITURES	883,300
UNASSIGNED	<u>386,746</u>
 TOTAL FUND BALANCE	 <u>1,321,346</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	 <u><u>\$ 3,290,910</u></u>

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

DECEMBER 31, 2013

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

TOTAL FUND BALANCE - GOVERNMENTAL FUND		\$ 1,321,346
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>(1,821)</u>	
		129,482
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 1,450,828</u></u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2013

REVENUES	
TAXES	\$ 2,087,485
MISCELLANEOUS	<u>9,971</u>
TOTAL REVENUES	<u>2,097,456</u>
EXPENDITURES	
GENERAL GOVERNMENT	<u>1,708,589</u>
CHANGE IN FUND BALANCE	388,867
FUND BALANCE JANUARY 1	<u>932,479</u>
FUND BALANCE DECEMBER 31	<u>\$ 1,321,346</u>

SEE NOTES TO FINANCIAL STATEMENTS

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, 2013

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

NET CHANGE IN FUND BALANCE	\$	388,867
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GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES.
 HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE
 ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND
 REPORTED AS DEPRECIATION EXPENSE. THIS IS THE AMOUNT BY WHICH
 CAPITAL OUTLAY EXCEEDED DEPRECIATION IN THE CURRENT PERIOD.

CAPITAL OUTLAY	105,353	
DEPRECIATION EXPENSE	<u>(1,608)</u>	
		103,745

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>492,612</u>
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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

DECEMBER 31, 2013

CURRENT ASSETS	
CASH	\$ 158,558
WATER INVENTORY	34,948
GRANTS RECEIVABLE	3,031
DUE FROM OTHER ENTITIES	23,040
DUE FROM GENERAL FUND	17,470
PREPAIDS	80,995
	<hr/>
TOTAL CURRENT ASSETS	318,042
	<hr/>
RESTRICTED ASSETS	
CASH RESTRICTED FOR STEWARDSHIP COSTS	173,398
	<hr/>
CAPITAL ASSETS	
BUILDINGS AND OTHER - NET	127,587
LAND	32,380
WATER STOCK	3,907,361
	<hr/>
NET CAPITAL ASSETS	4,067,328
	<hr/>
INTANGIBLE ASSETS	
CONSERVATION EASEMENTS	15,075,060
	<hr/>
TOTAL ASSETS	\$ 19,633,828
	<hr/> <hr/>
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	\$ 73,820
UNEARNED REVENUE - WATER LEASES	14,055
	<hr/>
TOTAL CURRENT LIABILITIES	87,875
	<hr/>
NET POSITION	
NET INVESTMENT IN CAPITAL ASSETS	4,067,328
RESTRICTED	173,398
UNRESTRICTED	15,305,227
	<hr/>
TOTAL NET POSITION	19,545,953
	<hr/>
TOTAL LIABILITIES AND NET POSITION	\$ 19,633,828
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SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2013

OPERATING REVENUES	
WATER LEASING	\$ 37,113
FEES	5,000
RULE 10 FEE INCOME	81,050
MANAGEMENT FEES AND REIMBURSEMENTS	<u>816,014</u>
TOTAL REVENUES	<u>939,177</u>
OPERATING EXPENSES	
WATER LEASES	27,014
IRRIGATION RULES	92,456
SUPER DITCH	389,353
POND STUDY	46,837
EASEMENTS	58,277
NEPA STORAGE	9,426
DEPRECIATION	6,689
STORAGE FEES	77,995
PERSONNEL	75,032
WATER ASSESSMENTS	38,629
RECHARGE POND	2,823
PROPERTY TAXES	6,571
OTHER	<u>5,815</u>
TOTAL OPERATING EXPENSES	<u>836,917</u>
OPERATING INCOME	102,260
NONOPERATING REVENUES (EXPENSES)	
CONSERVATION EASEMENT CONTRIBUTIONS	460,000
ENVIRONMENTAL IMPACT STUDY	125,000
WATER EDUCATION CAMPAIGN EXPENSES	(3,787)
INTEREST INCOME	538
GRANT EXPENSES	(245,221)
GRANT REVENUES	245,221
ASSISTANCE TO OTHER ENTITIES	<u>(67,695)</u>
CHANGE IN NET POSITION	616,316
NET POSITION JANUARY 1	<u>18,929,637</u>
NET POSITION DECEMBER 31	<u>\$ 19,545,953</u>

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM CUSTOMERS	\$ 132,247
CASH RECEIVED FROM INTERFUND ACTIVITIES	818,234
CASH PAYMENTS TO EMPLOYEES AND SUPPLIERS	<u>(829,958)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>120,523</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
CASH RECEIVED FROM GRANTS	551,866
CASH PAYMENTS ON GRANTS	(258,408)
CASH PAYMENTS FOR WATER EDUCATION CAMPAIGN	(3,787)
CASH RECEIVED FOR ENVIRONMENTAL IMPACT STUDY	125,000
CASH PAYMENTS FOR ASSISTANCE TO OTHER ENTITIES	<u>(67,695)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>346,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
DECREASE IN RESTRICTED CASH	(5,326)
PROCEEDS FROM SALE OF LAND	144
WATER STOCK PURCHASES	(593)
PURCHASED CONSERVATION EASEMENT	(361,000)
INTEREST AND OTHER	<u>538</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(366,237)</u>
NET CHANGE IN CASH	101,262
CASH BEGINNING OF YEAR	<u>57,296</u>
CASH END OF YEAR	<u>\$ 158,558</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME	\$ 102,260
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
DEPRECIATION	6,689
CHANGES IN ASSETS AND LIABILITIES	
WATER INVENTORY	24,704
PREPAIDS	(1,493)
ACCOUNTS PAYABLE	(22,941)
DUE FROM GENERAL FUND	2,220
DEFERRED REVENUE	<u>9,084</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 120,523</u>

SEE 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, 2013, the Lower Arkansas Valley Water Conservancy District owned 14,196.60 shares or approximately 75% 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.

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)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

The District has the following major funds:

Governmental 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.

Proprietary Fund - The Water Activity Enterprise Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise fund are composed of water and water stock sales, leasing activities, management fees and reimbursements. Operating expenses for the enterprise fund 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 fund accounts for transactions that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through charges.

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.

Cash and Cash Equivalents

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

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

The District chose to treat their restricted cash and cash equivalents as investments. Accordingly the restricted cash and cash equivalents are treated as investing activities in the statement of cash flows.

Water Inventory

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

Capital Assets

Capital assets, which include water stocks, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The monetary threshold for capitalization of assets is \$5,000. The District's depreciable capital assets currently consist of assets being depreciated over 10 - 40 years.

Water Stocks

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

Intangible Assets

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

Water Leases

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

Receivables/Payables

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

Accrued Compensated Absences

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

Property Tax Revenues Recognition

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied December 15 and are due and payable in full by April 30 or in two equal installments due February 28 and June 15 of the ensuing year to the County Treasurers, and are recorded as revenue in the year for which they are levied. Accordingly, the taxes receivable are for the next year and are recorded as deferred revenue.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

Net Position / Fund 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.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position / Fund Balance (continued)

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

Restricted Balances

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

The net position of the proprietary fund has been restricted for cash that is held in a restricted account. The cash may only be used to pay for stewardship costs incurred in complying with easement requirements.

Retirement Plan

The District participates in a simple IRA plan that covers the employees of the District. Participation in the plan is available to both full and part time employees who work at least 1,000 hours per year and are 21 years old after one year of full time service. The District matches 100% up to 3% of the employee's contribution into this plan. If the employee makes no contributions, the District contributes 2% of eligible employee's annual salary into the plan. The expense was \$9,477 for the year ended December 31, 2013.

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, 2013, had a bank balance of \$1,860,903 and a corresponding carrying balance as follows:

Insured Deposits		\$ 1,029,260
Covered by Public Deposit Protection Act		656,234
Petty Cash		<u>300</u>
		<u>\$ 1,685,794</u>
Cash is reported as follows:		
Cash and Cash Equivalents		\$ 1,512,396
Restricted Cash		<u>173,398</u>
		<u>\$ 1,685,794</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Taxes receivable represents 2013 property tax assessments, which are due in 2014. Deferred revenue in the same amount has also been recognized.

NOTE 4 – CAPITAL ASSETS

Primary Government:

Capital Assets Not Being Depreciated:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Water Stock	\$ 3,982,768	\$ 593	\$ (76,000)	\$ 3,907,361
Land	<u>152,259</u>	<u>-</u>	<u>(104,144)</u>	<u>48,115</u>
Total	<u>\$ 4,135,027</u>	<u>\$ 593</u>	<u>\$ (180,144)</u>	<u>\$ 3,955,476</u>

Capital Assets Being Depreciated:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Building and Other	\$ 182,106	\$ 105,353	\$ -	\$ 287,459
Accumulated Depreciation	<u>(37,828)</u>	<u>(8,297)</u>	<u>-</u>	<u>(46,125)</u>
Total	<u>\$ 144,278</u>	<u>\$ 97,056</u>	<u>\$ -</u>	<u>\$ 241,334</u>
Total Capital Assets	<u>\$ 4,279,305</u>	<u>\$ 97,649</u>	<u>\$ (180,144)</u>	<u>\$ 4,196,810</u>

Depreciation expense of \$1,608 was charged to general government in the governmental activities and \$6,689 to water conservation in the business-type activities.

NOTE 5 - 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.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - AMENDMENT ONE (Continued)

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 6 – 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 7 – RELATED PARTY TRANSACTIONS

The District paid for services on behalf of Larkspur Inc., which the District owned approximately 75% of the shares as of December 31, 2013. The total amount paid by the District in 2013 was \$2,125 which as of December 31, 2013 brings the total due from other entities to \$25,165.

NOTE 8 - COMMITMENTS

The District has committed to several projects involving water rights and storage. The projects will cover more than a one year period. As of December 31, 2013, the District has committed to projects in excess of \$253,500.

Effective April 1, 2012, the District is committed to leasing water from the Board of Water Works of Pueblo, Colorado ("Board"). The District desires to procure 500 acre-feet of raw water each contract year during this agreement from the Board for use in its "Rule 10" plan under the *Compact Rules Governing Improvements to Surface Water Irrigation Systems in the Arkansas River Basin in Colorado*. The District agrees to pay the Board a fee of \$196.54 per acre-foot of water so leased, plus any rate increase. The term of agreement is for 5 years with the first annual payment for water due April 1, 2012. Additional annual payments shall be due from the District to the Board on the 1st day of April each year thereafter.

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

NOTE 9 – NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year ended December 31, 2013, the District adopted GASB Statement Number 65 "*Items Previously Reported as Assets and Liabilities*". The adoption of this standard modified the presentation of items previously reported as assets and liabilities on the government-wide and proprietary statement of net position and on the governmental fund balance sheet. The District's most significant change was that the former deferred property tax liability is now shown as a deferred inflow of resources on both the governmental fund balance sheet and the government-wide statement of net position.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – 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.

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, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
TAXES				
REAL PROPERTY TAXES	\$ 1,915,500	\$ 1,915,500	\$ 1,912,248	\$ (3,252)
SPECIFIC OWNERSHIP	122,800	122,800	175,237	52,437
INTEREST	13,100	13,100	9,971	(3,129)
TOTAL REVENUES	<u>2,051,400</u>	<u>2,051,400</u>	<u>2,097,456</u>	<u>46,056</u>
EXPENDITURES				
GENERAL GOVERNMENT	2,345,500	2,345,500	1,708,589	636,911
CAPITAL OUTLAY	12,000	12,000	-	12,000
CONTINGENCY	125,000	125,000	-	125,000
TOTAL EXPENDITURES	<u>2,482,500</u>	<u>2,482,500</u>	<u>1,708,589</u>	<u>773,911</u>
REVENUES OVER (UNDER) EXPENDITURES	(431,100)	(431,100)	388,867	819,967
FUND BALANCE JANUARY 1	<u>932,479</u>	<u>932,479</u>	<u>932,479</u>	-
FUND BALANCE DECEMBER 31	<u>\$ 501,379</u>	<u>\$ 501,379</u>	<u>\$ 1,321,346</u>	<u>\$ 819,967</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CASH IN BANKS	\$ 1,353,838	\$ 1,008,606
ACCRUED INTEREST RECEIVABLE	586	586
DEPOSITS	57,343	20,429
DUE FROM OTHER ENTITIES	2,125	-
TAXES RECEIVABLE	<u>1,877,018</u>	<u>1,915,423</u>
TOTAL ASSETS	<u><u>\$ 3,290,910</u></u>	<u><u>\$ 2,945,044</u></u>
LIABILITIES		
ACCOUNTS PAYABLE	\$ 18,141	\$ 28,642
ACCRUED EXPENSES	56,935	48,810
DUE TO ENTERPRISE FUND	<u>17,470</u>	<u>19,690</u>
TOTAL LIABILITIES	<u>92,546</u>	<u>97,142</u>
DEFERRED INFLOWS OF RESOURCES		
DEFERRED REVENUE - PROPERTY TAX	<u>1,877,018</u>	<u>1,915,423</u>
FUND BALANCE		
RESTRICTED FOR EMERGENCIES - TABOR	51,300	59,100
ASSIGNED FOR FUTURE YEARS EXPENDITURES	883,300	441,100
UNASSIGNED	<u>386,746</u>	<u>432,279</u>
TOTAL FUND BALANCE	<u>1,321,346</u>	<u>932,479</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u><u>\$ 3,290,910</u></u>	<u><u>\$ 2,945,044</u></u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
REVENUES		
TAXES	\$ 2,087,485	\$ 2,071,147
MISCELLANEOUS	9,971	11,958
TOTAL REVENUES	2,097,456	2,083,105
EXPENDITURES		
GENERAL GOVERNMENT	1,708,589	1,972,685
CHANGES IN FUND BALANCE	388,867	110,420
FUND BALANCE JANUARY 1	932,479	822,059
FUND BALANCE DECEMBER 31	\$ 1,321,346	\$ 932,479

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

WATER ACTIVITY ENTERPRISE FUND

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
CASH	\$ 158,558	\$ 57,296
WATER INVENTORY	34,948	59,652
PREPAIDS	80,995	79,502
GRANTS RECEIVABLE	3,031	309,676
DUE FROM OTHER ENTITIES	23,040	23,040
DUE FROM GENERAL FUND	17,470	19,690
	<u>318,042</u>	<u>548,856</u>
RESTRICTED ASSETS		
CASH RESTRICTED FOR STEWARDSHIP COSTS	<u>173,398</u>	<u>168,072</u>
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET	127,587	134,276
LAND	32,380	136,524
WATER STOCK	<u>3,907,361</u>	<u>3,982,768</u>
	<u>4,067,328</u>	<u>4,253,568</u>
INTANGIBLE ASSETS		
CONSERVATION EASEMENTS	<u>15,075,060</u>	<u>14,074,060</u>
	<u>\$ 19,633,828</u>	<u>\$ 19,044,556</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 73,820	\$ 109,948
UNEARNED REVENUE - WATER LEASES	<u>14,055</u>	<u>4,971</u>
	<u>87,875</u>	<u>114,919</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	4,067,328	4,253,568
RESTRICTED	173,398	168,072
UNRESTRICTED	<u>15,305,227</u>	<u>14,507,997</u>
	<u>19,545,953</u>	<u>18,929,637</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 19,633,828</u>	<u>\$ 19,044,556</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
WATER ACTIVITY ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
WATER LEASING	\$ 37,113	\$ 28,238
FEES	5,000	5,350
POND STUDY	-	6,022
RULE 10 FEE INCOME	81,050	136,593
MANAGEMENT FEES AND REIMBURSEMENTS	<u>816,014</u>	<u>1,239,987</u>
TOTAL REVENUES	<u>939,177</u>	<u>1,416,190</u>
OPERATING EXPENSES		
WATER LEASES	27,014	2,949
IRRIGATION RULES	92,456	237,007
SUPER DITCH	389,353	360,695
SUPER DITCH PILOT PROGRAM	-	269,350
POND STUDY	46,837	15,500
EASEMENTS	58,277	88,915
NEPA STORAGE	9,426	21,295
WATER QUALITY STUDY	-	2,406
DEPRECIATION	6,689	6,689
STORAGE FEES	77,995	71,995
PERSONNEL	75,032	37,226
WATER ASSESSMENTS	38,629	35,966
RECHARGE POND	2,823	73,950
PROPERTY TAXES	6,571	8,294
OTHER	<u>5,815</u>	<u>6,369</u>
TOTAL OPERATING EXPENSES	<u>836,917</u>	<u>1,238,606</u>
OPERATING INCOME	102,260	177,584
NONOPERATING REVENUES (EXPENSES)		
CONSERVATION EASEMENT CONTRIBUTIONS	460,000	875,000
ENVIRONMENTAL IMPACT STUDY	125,000	125,000
WATER EDUCATION CAMPAIGN REIMBURSEMENT	-	7,755
WATER EDUCATION CAMPAIGN EXPENSES	(3,787)	(12,410)
INTEREST INCOME	538	596
GRANT EXPENSES	(245,221)	(248,434)
GRANT REVENUES	245,221	518,434
ASSISTANCE TO OTHER ENTITIES	(67,695)	(50,000)
OTHER	<u>-</u>	<u>9,906</u>
CHANGE IN NET POSITION	616,316	1,403,431
NET POSITION JANUARY 1	<u>18,929,637</u>	<u>17,526,206</u>
NET POSITION DECEMBER 31	<u>\$ 19,545,953</u>	<u>\$ 18,929,637</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH RECEIVED FROM CUSTOMERS	\$ 132,247	\$ 154,404
CASH RECEIVED FROM INTERFUND ACTIVITIES	818,234	1,442,558
CASH PAYMENTS TO EMPLOYEES AND SUPPLIERS	(829,958)	(1,305,809)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>120,523</u>	<u>291,153</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
CASH RECEIVED FROM GRANTS	551,866	270,453
CASH PAYMENTS ON GRANTS	(258,408)	(290,503)
CASH RECEIVED FOR WATER EDUCATION CAMPAIGN	-	7,755
CASH PAYMENTS FOR WATER EDUCATION CAMPAIGN	(3,787)	(12,410)
CASH RECEIVED FOR ENVIRONMENTAL IMPACT STUDY	125,000	125,000
CASH PAYMENTS FOR ASSISTANCE TO OTHER ENTITIES	(67,695)	(50,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>346,976</u>	<u>50,295</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
DECREASE IN RESTRICTED CASH	(5,326)	(5,407)
PROCEEDS FROM SALE OF LAND	144	-
WATER STOCK PURCHASES	(593)	(31,108)
PURCHASED CONSERVATION EASEMENT	(361,000)	(406,756)
INTEREST AND OTHER	538	10,501
NET CASH USED IN INVESTING ACTIVITIES	<u>(366,237)</u>	<u>(432,770)</u>
NET CHANGE IN CASH	101,262	(91,322)
CASH BEGINNING OF YEAR	57,296	148,618
CASH END OF YEAR	<u>\$ 158,558</u>	<u>\$ 57,296</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 102,260	\$ 177,584
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	6,689	6,689
CHANGES IN ASSETS AND LIABILITIES		
ACCOUNTS RECEIVABLE	-	(23,040)
WATER INVENTORY	24,704	(11,118)
PREPAIDS	(1,493)	(21,527)
ACCOUNTS PAYABLE	(22,941)	(41,247)
DUE FROM GENERAL FUND	2,220	202,571
DEFERRED REVENUE	9,084	1,241
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 120,523</u>	<u>\$ 291,153</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, 2013

REVENUES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
WATER LEASING FEES	\$ 76,000	\$ 76,000	\$ 37,113	\$ (38,887)
MANAGEMENT FEES	66,000	66,000	86,050	20,050
GRANTS AND OTHER	1,300,000	1,300,000	816,014	(483,986)
INTEREST	251,000	251,000	370,221	119,221
	1,500	1,500	538	(962)
TOTAL REVENUES	1,694,500	1,694,500	1,309,936	(384,564)
EXPENDITURES				
WATER LEASES	50,000	50,000	27,014	22,986
ASSISTANCE TO OTHER ENTITIES	5,000	5,000	67,695	(62,695)
WATER STORAGE FEES	95,000	95,000	77,995	17,005
ARKANSAS IRRIGATION RULES	200,000	200,000	92,456	107,544
SUPER DITCH	550,000	550,000	392,176	157,824
POND STUDY	25,000	25,000	46,837	(21,837)
GRANTS	100,000	100,000	245,221	(145,221)
DEPRECIATION	-	-	6,689	(6,689)
GENERAL AND ADMINISTRATIVE	150,200	150,200	145,695	4,505
WATER ASSESSMENTS AND COSTS	40,000	40,000	38,629	1,371
WATER EDUCATION CAMPAIGN	-	-	3,787	(3,787)
WATER QUALITY STUDY	10,000	10,000	-	10,000
WATER ACQUISITIONS	100,000	100,000	594	99,406
NEPA STORAGE	200,000	200,000	9,426	190,574
PURCHASED CONSERVATION EASEMENT	500,000	500,000	361,000	139,000
TOTAL EXPENDITURES	2,025,200	2,025,200	1,515,214	509,986
	\$ (330,700)	\$ (330,700)	(205,278)	\$ 125,422
NON-BUDGETARY ITEM				
CONSERVATION EASEMENT CONTRIBUTIONS			460,000	
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
WATER STOCK PURCHASES			594	
PURCHASED CONSERVATION EASEMENT			361,000	
CHANGE IN NET POSITION			616,316	
NET POSITION JANUARY 1			18,929,637	
TOTAL NET POSITION DECEMBER 31			\$ 19,545,953	