

THE PUEBLO CONSERVANCY DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 1997

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Pueblo Conservancy District
Pueblo, Colorado

We have audited the accompanying general purpose financial statements of The Pueblo Conservancy District as of and for the year ended December 31, 1997. These general purpose financial statements are the responsibility of The Pueblo Conservancy District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of The Pueblo Conservancy District as of December 31, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

McPherson, Breyfogle, Lichlyter & Daveline PC

July 16, 1998

THE PUEBLO CONSERVANCY DISTRICT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1997

	Governmental Fund Type General Fund	Account Group General Fixed Assets	Total (Memorandum Only) 19971995	
ASSETS				
Cash and cash equivalents	\$ 187,385	\$ -	\$ 187,385	\$ 378,624
Certificates of deposit	250,000	-	250,000	100,000
Investments	870,786	-	870,786	909,744
Accrued interest receivable	14,412	-	14,412	13,490
Accounts receivable	3,327	-	3,327	3,327
Improvements	-	5,353,501	5,353,501	5,276,983
Office furniture and equipment	-	2,295	2,295	2,295
Maintenance equipment	-	1,100	1,100	1,100
TOTAL ASSETS	\$1,325,910	\$5,356,896	\$6,682,806	\$6,685,563
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities -				
Accounts payable	\$ 8,139	\$ -	\$ 8,139	\$ 49,429
Payroll taxes payable	-	-	-	110
Total Liabilities	8,139	-	8,139	49,539
Fund Equity -				
Investment in general fixed assets	-	5,356,896	5,356,896	5,280,378
Fund balance				
Reserved for emergencies	6,000	-	6,000	6,000
Unreserved -				
Designated for subsequent year's expenditure	192,800	-	192,800	191,300
Undesignated	1,118,971	-	1,118,971	1,158,346
Total Fund Equity	1,317,771	5,356,896	6,674,667	6,636,024
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$1,325,910	\$5,356,896	\$6,682,806	\$6,685,563

The accompanying notes are an integral part of this statement.

THE PUEBLO CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GENERAL FUND
YEAR ENDED DECEMBER 31, 1997

REVENUES	
Interest	\$ <u>82,328</u>
EXPENDITURES	
Public safety -	
Directors' fees	\$ 2,160
FICA taxes	55
Travel	299
Legal fees	2,400
Engineering and administration	4,800
Audit fee	1,800
Insurance and bonds	406
Office expense	588
Office rent	1,200
HARP subdivision and construction	39,950
Repairs and maintenance	48,010
Planning and development	<u>18,535</u>
TOTAL EXPENDITURES	<u>120,203</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,875)
FUND BALANCE, JANUARY 1	<u>1,355,646</u>
FUND BALANCE, DECEMBER 31	<u>\$1,317,771</u>

The accompanying notes are an integral part of this statement.

THE PUEBLO CONSERVANCY DISTRICT
111 East Fifth Street
Pueblo, Colorado

TREASURERS REPORT:

DATE: December 31, 1997

Vouchers No. 1543 through 1554
Total Expended during current Month: \$ 3,600.
Deposits: \$ 6,901
@ 12/31/97:

Minnequa Money Market (1)	\$ 8,920.		
CNB Savings (2)	\$ closed		
Minnequa Checking (3)	\$ 12,744.		
CNB Checking (4)	\$ closed		
Norwest Money Market (5)	\$ 2,039.		
Colo Trust	\$ 150,000.		
Total CD's: \$ 250,000.		Treasury Bills: \$ 700,000.	
		Treasury Inv. : \$ 187,014.	

TOTAL of @12/31/96 = \$1,377,974. @ 8/31/97 = \$1,340,427.
of ALL @ 4/30/97 = \$1,351,956. @10/31/97 = \$1,328,647.
Accounts: @ 6/3/97 = \$1,338,011. @12/31/97 = \$1,310,582.

Checking Account Balance (3&4) @ 11/30/97:	\$ 9,444.
Savings Account Balances (1,2&5) @ 11/30/97:	10,929.
Matured Treasury Bills	0.
Matured CD's	0.
Interest Earned - CD's	0.
Colo Trust	735.
Savings Accounts	17.
Money Market (Norwest)	12.
Dain Bosworth	0.
Smith Barney	0.
Everen	3,875.
Piper Jaffray	2,291.
Minnequa Bank (C.D.)	0.
Lease Payments	0.

	\$ 27,303.<
Money Market - Piper Jaffray	\$ 0.
Money Market Transfer(Colo Trust)	0.
CD's Purchased	0.
Treasury Bills Purchased	\$ 0.
Current Months Vouchers	\$ 3,600.

CASH BALANCE @ 12/31/97 (1,2,3,4,5) \$ 23,703.

Interest Earned in 1997: TOTAL TO DATE: \$ 87,789.
 Jan \$8,641 Apr \$5,749 July \$12,383 Oct \$ 8,412
 Feb 9,695 May 4,708 August 5,240 Nov 11,783
 Mar 4,763 Jun 6,031 Sept 3,458 Dec 6,926
 (\$1,377,974 + \$87,789 - \$155,181 = \$1,310,582)

T R E A S U R E R ' S R E P O R T <

DATE: December 31, 1997

ACCT No.	ACCOUNT	Spent 1996	1997 BUDGET	USED @ 11-30-97	CURRENT MONTH EXPENSE	USED to 12/31/97	UNUSED PORTION BUDGET
80	Legal Fees	\$2,400	\$ 2,400	\$ 2,200	\$ 200	\$ 2,400	\$ 0
81	Director Fees	2,160	4,000	1,980	180	2,160	1,840
82	FICA Taxes	220	500	124	41	165	335
83	Engineer/Admin	4,800	4,800	4,400	400	4,800	0
90	Audit Fees	1,800	1,800	1,800	0	1,800	0
92	Insurance/Bonds (94)		2,000	250	156	406	1,594
96	Office Expense	280	650	606	0	606	44
97	Office Rent	1,200	1,200	1,100	100	1,200	0
100	Professional Fees	0	12,000	0	0	0	12,000
103	Travel	453	2,500	299	0	299	2,201
105	Repairs/Maint.	39,035	75,000	30,950	490	31,440	43,560
105a	1996 Grant	4,976	15,024	14,725	299	15,024	0
	1997 Grant	0	25,000	12,500	0	12,500	12,500
108	Contingencies	0	500	0	0	0	500
109	Emergency Repair	0	20,000	0	0	0	20,000
110	Capital Impr.	0	69,924	59,261	0	59,261	10,663
110a	HARP	42,634	2,866	2,866	0	2,866	0
110b	OLD Grants	47,814	12,186	1,462	1,272	2,734	9,452
111	Plan. & Dev	14,500	25,000	17,085	435	17,520	7,480
112	HARP - O & M						

TOTALS: \$166,682 \$277,350 \$151,608 \$ 3,573 \$155,181 \$122,169

PCD.bud ray

THE PUEBLO CONSERVANCY DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES -
ACTUAL AND BUDGET (NON-GAAP BASIS) - GENERAL FUND
YEAR ENDED DECEMBER 31, 1997

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest	\$ 84,817	\$ 85,000	\$ (183)
Lease income	-	1,050	(1,050)
TOTAL REVENUES	<u>\$ 84,817</u>	<u>\$ 86,050</u>	<u>\$ (1,233)</u>
EXPENDITURES			
Public safety -			
Directors' fees	\$ 2,160	\$ 4,000	\$ 1,840
FICA taxes	165	500	335
Travel	299	2,500	2,201
Legal fees	2,400	2,400	-
Engineering and administration	4,800	4,800	-
Audit fee	1,800	1,800	-
Insurance and bonds	406	2,000	1,594
Office expense	608	650	42
Office rent	1,200	1,200	-
Professional fees	-	12,000	12,000
Repairs and maintenance	46,460	75,000	28,540
Capital projects	83,965	125,000	41,035
Contingencies	-	500	500
Emergency flood repair	-	20,000	20,000
Planning and development	17,340	25,000	7,660
TOTAL EXPENDITURES	<u>161,603</u>	<u>277,350</u>	<u>115,747</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (76,786)</u>	<u>\$ (191,300)</u>	<u>\$ 114,514</u>

1998

75,800 Dred.
800 Lease
800 Sale
76,600

1997

7 161,603
84,817
76,786

1,377,774
76,786
1,301,188

F

The accompanying notes are an integral part of this statement.

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pueblo Conservancy District (the District) was established to provide flood control services within its boundaries. Since the completion of improvements along the Arkansas River, the District continues to provide repair and maintenance functions.

The legal powers of the District have been expanded by an act of the Colorado legislature. The act allows the District to participate in activities related to public parks and recreation. The District coordinates its repair and maintenance responsibilities with other local governmental agencies which have developed a river trails system.

The accounting policies of the District conform to generally accepted accounting principles applicable to governmental entities. Following is a summary of the more significant accounting policies.

1. REPORTING ENTITY

For financial reporting purposes, the District includes all other entities which are financially accountable to, or fiscally dependent on, the District. However, no component unit is included in the District's reporting entity since none meets the criteria for inclusion.

2. FUND ACCOUNTING

The District uses funds and account groups to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement purposes, the following fund category and account group are used:

Governmental Fund Type

General Fund - The general fund accounts for normal, recurring operations of the District. Interest income is the principal source of revenue, while repairs and maintenance, along with capital outlay, represent primary expenditures.

Account Group -

General Fixed Assets - The account group is used to establish accounting control and accountability for general fixed assets.

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3. BASIS OF ACCOUNTING

The accounting and reporting treatment applied to a fund is determined by its measurement focus. The governmental fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and liabilities generally are included in the balance sheet. Operating statements of the fund presents increases (revenues) and decreases (expenditures) in net current assets.

The modified accrual basis of accounting is used by the governmental fund type. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to pay current liabilities. The major source of revenue which is susceptible to accrual is interest. Expenditures are recorded when the related fund liability is incurred.

4. BUDGETS AND BUDGETARY ACCOUNTING

The District is subject to Colorado budgetary law as applicable to special districts. As such, the District adopts its annual budget prior to December 31 each year. The budget is available for inspection during reasonable business hours at the District's office.

Formal budgetary integration is employed as a management control device in the general fund. The budget for the year ended December 31, 1997 was adopted using the cash basis of accounting.

The District does not use encumbrance accounting and unused appropriations for all budgeted funds lapse at the end of the year.

The budget amounts shown in the general purpose financial statements are the final authorized amounts as revised during the year ended December 31, 1997.

5. INVESTMENTS

Investments are stated at cost or amortized cost.

6. FIXED ASSETS

General fixed assets are not capitalized in the fund used to acquire them. Instead, capital acquisitions are reflected as expenditures in the governmental fund and the related assets are reported in the general fixed asset account group. All purchased fixed assets are valued at cost and no depreciation has been provided.

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

7. FUND EQUITY

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

8. MEMORANDUM ONLY - TOTAL COLUMN

The total column on the combined statement is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the summarization of this data.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are summarized as follows:

Demand deposits	\$ 22,525
Money market funds	164,860
Certificate of deposit	<u>250,000</u>
	<u>\$ 437,385</u>
U.S. Treasury notes, including unamortized premium of \$5,657	\$ 705,657
U.S. agency mortgage-backed securities	<u>165,129</u>
	<u>\$ 870,786</u>

DEPOSITS

At December 31, 1997, the carrying amount of the District's deposits, including the certificate of deposit, was \$272,525, and the bank balance was \$275,467. Of the bank balance, \$116,530 was covered by federal depository insurance and \$158,937 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The market value of the collateral that each institution pledges must be equal to at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

The District's deposits are categorized as either (1) insured or collateralized with securities held by the District or by its agent in the District's name, (2) collateralized with securities held by the pledging financial institutions' trust department or agent in the District's name, (3) uncollateralized which includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

	<u>Category</u>			<u>Bank</u>	<u>Estimated</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Market</u>
					<u>Value</u>
Demand and certificates of deposit	\$ <u>116,530</u>	\$ <u>-</u>	\$ <u>158,937</u>	\$ <u>275,467</u>	\$ <u>275,467</u>

The money market funds are not subject to credit risk categorization.

INVESTMENTS

The District is subject to state law regarding the types of investments that public entities may acquire and hold. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

The District's investments are categorized to give an indication of the level of credit risk assumed by the District. These credit risk categories are (1) insured or registered, or securities held by the District or its agent in the District's name; (2) uninsured and unregistered, with securities held by the counterparty's agent in the District's name; (3) uninsured and unregistered with securities held by the counterparty, or held by the counterparty's agent but not in the District's name.

	<u>Category</u>			<u>Carrying</u>	<u>Estimated</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Market</u>
					<u>Value</u>
U.S. Treasury notes	\$ -	\$ -	\$ 705,657	\$ 705,657	\$ 711,844
U.S. agency mortgage-backed securities	<u>-</u>	<u>-</u>	<u>165,129</u>	<u>165,129</u>	<u>172,266</u>
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>870,786</u>	\$ <u>870,786</u>	\$ <u>884,110</u>

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE C - CHANGES IN GENERAL FIXED ASSETS

Changes in general fixed assets are as follows:

	Balance January 1, <u>1997</u>	<u>Additions</u>	Balance December 31, <u>1997</u>
Improvements	\$5,276,983	\$ 76,518	\$5,353,501
Office furniture and equipment	2,295	-	2,295
Maintenance equipment	<u>1,100</u>	<u>-</u>	<u>1,100</u>
	<u>\$5,280,378</u>	<u>\$ 76,518</u>	<u>\$5,356,896</u>

NOTE D - FUND EQUITY

Certain portions of fund equity have been reserved that represent funds not available for appropriation. In addition, the District has designated portions of their unreserved fund equity for subsequent years' expenditures which can be appropriated in future years. The following is a description of these reserves and designations at December 31, 1997:

RESERVATIONS OF FUND BALANCE

Reserve for emergencies

This represents 7% of the District's approximate 1997 fiscal year spending as that term is defined in the Colorado Constitution. Under these provisions of the constitution, up to 3% of these reserves can be used for declared emergencies only.

UNRESERVED FUND BALANCE - DESIGNATION

Designated for subsequent years' expenditures

This amount represents the portion of fund balance that was used to balance the relationship between revenues and expenditures in developing the 1998 budget.

NOTE E - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, property and casualty, and errors and omissions. These risks of loss are covered by commercial insurance coverage.

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE F- BUDGET REPORTING RECONCILIATION

A reconciliation of the resultant basis and timing of revenues and expenditures is presented below:

	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 82,328	\$ 120,203
Adjustments for cash basis -		
Accrued interest and bond premium		
amortization	2,489	-
Accounts payable	<u>-</u>	<u>41,400</u>
Budget Basis	\$ <u>84,817</u>	\$ <u>161,603</u>

NOTE 6 - CONTINGENCIES

Colorado voters passed an amendment to the state constitution in November 1992 which contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment is complex and subject to judicial interpretation; however, the District believes it is in compliance with the requirements of the amendment. The District has made certain interpretations of the amendment's language in order to determine its compliance.