

THE PUEBLO CONSERVANCY DISTRICT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2013

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July 31, 2014

To the Board of Directors
Pueblo Conservancy District
Pueblo, Colorado

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund, of the Pueblo Conservancy District, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Pueblo Conservancy District
December 31, 2013

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages I-III and 13 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 management's discussion and analysis 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. The budgetary comparison 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 budget comparison statement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Harren, Ross & DeMarco, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PUEBLO CONSERVANCY DISTRICT
Management's Discussion and Analysis
December 31, 2013

As management of The Pueblo Conservancy District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

The District has filed for exemption from audit in past years and that exemption has been granted. Due to increases in revenue from the maintenance fund assessment, the District no longer qualified for this exemption for the year ended December 31, 2013. Financial information included in this discussion contains only the most recent fiscal year. Comparative information will be included in subsequent years.

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,739,422 (net position). The composition of net position for the most recent fiscal year was comprised of the carrying amount of capital assets in the amount of \$165,586 (net investment in capital assets) and unrestricted net position of \$1,573,836.
- This District's total net position increased by \$698,586 during the year ended December 31, 2013.
- As of the close of the current fiscal year, the District's governmental fund (general fund) reported an ending fund balance of \$1,573,836, which is an increase of \$708,094 for the year ended December 31, 2013. This increase was caused mostly by the collection of maintenance fund assessments.
- At the end of the current fiscal year, unassigned fund balance of the general fund is \$976,684.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which comprise three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The basic financial statements present two different views of the District's financial information using government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other required supplemental information that will enhance the reader's understanding of the financial condition of the District.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, liabilities, and deferred inflows of resources. The difference between assets and liabilities and deferred inflows of resources are reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows.

The government-wide financial statements report the District's activities in maintenance and upkeep of two levees. The District has no business-type activities.

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 state and local government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as state statutes. The general fund is used to account for all of the District's activities.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Governmental funds are reported using an accounting method called modified accrual accounting and the current financial resources measurement focus. As a result, the

governmental fund financial statement gives the reader a detailed short-term view that helps the reader determine if there are adequate financial resources available to finance the District's programs.

This report includes the District's one governmental fund, the general fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 5-12 of this report.

Government-wide Financial Analysis

The following table provides a condensed comparative presentation of the District's statement of net position at December 31, 2013. A comparative analysis will be provided in further years when audited prior year financial information is available.

The following table reflects the condensed Statement of Net Position at December 31:

	<u>2013</u>
Current and other assets	\$ 2,503,184
Capital assets	<u>165,586</u>
Total Assets	\$ 2,668,770
Current and other liabilities	\$ <u>70,815</u>
Total Liabilities	\$ 70,815
Deferred inflows of resources	<u>\$ 858,530</u>
Net Position:	
Net investment in capital assets	\$ 165,586
Unrestricted	<u>1,573,836</u>
Total Net Position	\$ 1,739,422

Total net position increased from 2012 to 2013 by \$698,586. The primary reason for the increase was the net maintenance fund assessment revenue of \$883,530 which was partially used for levee repairs and maintenance as well as professional fees for evaluation of future projects. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$1,739,422 at the close of the most recent fiscal year.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. Revenues and expenses in this statement are recorded when earned or when a liability is incurred.

The following table reflects the condensed Statement of Activities for the years ended December 31:

	<u>2013</u>
Revenues:	
Program revenues:	
Charges for services	\$ 50,275
General revenues:	
Maintenance fund assessment	883,530
Unrestricted investment earnings	<u>(7,582)</u>
Total Revenues	926,223
Expenses:	
General government and intergovernmental	<u>227,637</u>
Total Expenses	227,637
Change in Net Position	698,586
Net Position - Beginning	<u>1,040,836</u>
Net Position - Ending	\$ 1,739,422

Financial Analysis of The Pueblo Conservancy District's General Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the District's governmental fund is to provide information on current year revenue, expenditures, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The general fund is the only fund of the District. As of December 31, 2013, the District's general fund reported an ending balance \$1,573,836, an increase of \$708,094 from December 31, 2012.

General Fund Budgetary Highlights

During the fiscal year, the District did not revise the original budget. Generally, budget amendments fall into one of two categories: 1) amendments made to adjust the estimates that are used to prepare the original budget resolution once exact information is available; 2) increase in appropriations that become necessary to maintain services.

The general fund expenditures were \$486,722 (69%) lower than the approved budget. This was primarily attributable to fewer levee engineering and professional fees. These fees as well as repairs and maintenance are part of a multi-year project to evaluate the upgrades and improvements necessary to ensure the continued protection provided by the levees.

Capital Assets and Debt Administration

Capital assets. The District's net investment in capital assets for its governmental activities as of December 31, 2013 totals \$165,586 (net of accumulated depreciation). This investment in capital assets includes levee improvements of \$190,147.

Additional information on the District's capital assets can be found in Note D on page 11 of this report.

Long-term debt. The District has no outstanding debt as of December 31, 2013.

Final Comments

The District continues to strive to achieve its mission of maintaining the Arkansas River levee and the Wildhorse Creek levee. Long range plans include continued evaluation and repairs to the levees so they continue to serve as flood control protection for the City and County of Pueblo.

Requests for Information

This financial report is designed to provide a general overview of the Pueblo Conservancy District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Pueblo Conservancy District, P. O. Box 234, Pueblo, CO 81002.

BASIC FINANCIAL STATEMENTS

THE PUEBLO CONSERVANCY DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 531,340	\$ -	\$ 531,340
Investments	1,110,331	-	1,110,331
Other receivables	160	-	160
Accrued interest	2,820	-	2,820
Maintenance fund assessment receivable	858,533	-	858,533
Capital assets, net of depreciation	<u>-</u>	<u>165,586</u>	<u>165,586</u>
TOTAL ASSETS	<u>\$ 2,503,184</u>	<u>\$ 165,586</u>	<u>\$ 2,668,770</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION			
LIABILITIES			
Accounts payable	\$ 69,713	\$ -	\$ 69,713
Payroll taxes payable	<u>1,102</u>	<u>-</u>	<u>1,102</u>
TOTAL LIABILITIES	<u>70,815</u>	<u>-</u>	<u>70,815</u>
 DEFERRED INFLOWS OF RESOURCES			
Maintenance fund assessments	<u>858,533</u>	<u>-</u>	<u>858,533</u>
 FUND BALANCE/NET POSITION			
Fund balance:			
Assigned	597,152	(597,152)	-
Unassigned	<u>976,684</u>	<u>(976,684)</u>	<u>-</u>
TOTAL FUND BALANCE	<u>1,573,836</u>	<u>(1,573,836)</u>	<u>-</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	 <u>\$ 2,503,184</u>		
 Net position			
Net investment in capital assets		165,586	165,586
Unrestricted		<u>1,573,836</u>	<u>1,573,836</u>
TOTAL NET POSITION		<u>\$ -</u>	<u>\$ 1,739,422</u>

The accompanying notes are an integral part of these statements.

THE PUEBLO CONSERVANCY DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses			
General government	\$ 143,129	\$ 9,508	\$ 152,637
Intergovernmental	<u>75,000</u>	<u>"</u>	<u>75,000</u>
Total expenditures/expenses	<u>218,129</u>	<u>9,508</u>	<u>227,637</u>
 Program revenues			
Charges for services	<u>50,275</u>	<u>"</u>	<u>50,275</u>
Total charges for services	<u>50,275</u>	<u>"</u>	<u>50,275</u>
 Net program revenues (expenditures/expenses)	<u>(167,854)</u>	<u>(9,508)</u>	<u>(177,362)</u>
 General revenues			
Maintenance fund assessment, net	883,530	"	883,530
Investment earnings	<u>(7,582)</u>	<u>"</u>	<u>(7,582)</u>
Total general revenues	<u>875,948</u>	<u>"</u>	<u>875,948</u>
 Excess of revenues over expenditures	<u>708,094</u>	<u>(708,094)</u>	<u>"</u>
 Changes in net position	-	698,586	698,586
 Fund balance/net position, January 1, as restated	<u>865,742</u>	<u>"</u>	<u>1,040,836</u>
 Fund balance/net position, December 31	<u>\$ 1,573,836</u>	<u>\$ "</u>	<u>\$ 1,739,422</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

**THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pueblo Conservancy District (the District) is organized under the laws of the State of Colorado to maintain the Arkansas River and the Wildhorse Creek levees. The District operates under the jurisdiction of a three member board of directors who are appointed by the 10th Judicial District Judge.

The basic financial statements of The Pueblo Conservancy District have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting practices used by the District are described below:

Reporting Entity

As required by generally accepted accounting principles, the District (the primary government) includes, if applicable, component units in its financial statements based on financial accountability. Inasmuch as no component units meets the criteria for inclusion, no component unit financial statements have been included.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The statement of net position column on the governmental fund balance sheet/statement of net position and the statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by the function's program revenues. A function's direct expenses are those that are clearly identifiable with the specific function or segment. A function's program revenues include charges to customers or applicants for goods or services, operating grants and contributions, and capital grants and contributions, if any.

The general fund column on the governmental fund balance sheet/statement of net position and the statement of governmental revenues, expenditures, and changes in fund balance/statement of activities 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 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.

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements generally include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements. The District's only fund is the general fund, which is always presented as a major fund.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reported period. Actual results could differ from those estimates.

Investments

Investments are carried at fair value and unrealized gains or losses resulting from the change in the fair value of investments is recognized as investment earnings in the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities.

Capital Assets

The District capitalizes purchases and betterments with costs exceeding \$10,000 and a useful life of one year or more. Purchases and betterments not meeting this criteria are expensed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Levee improvements	20 years
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**THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Governmental funds report fund balance in classifications based primarily on the extent the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. Fund balances of the District's governmental fund are classified and displayed in the following five categories:

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as prepaid items and inventories. At December 31, 2013, the District had no nonspendable fund balance.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation. At December 31, 2013, the District had no restricted fund balance.
- Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the Board of Directors of the District. Commitments may be modified or changed only by the Board of Directors approving a new resolution. At December 31, 2013, the District had no committed fund balance.
- Assigned – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. As authorized by the Board of Directors, assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.
- Unassigned – includes amounts that do not meet any of the above criteria.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

- Net investment in capital assets – this classification consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the capital assets.
- Restricted net position – this classification consists of restrictions created by external creditors, grantors, contributors or laws or regulations of other governments, enabling legislation and constitutional provisions. At December 31, 2013, the District had no restricted net position.
- Unrestricted net position – this classification represents the remainder of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

**THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for net position use, it is the District's policy to use restricted resources first and then use unrestricted resources as needed.

Interest

Interest revenue on investments is recognized in the period it is earned subject to the measurable and available criteria for governmental funds.

Maintenance Fund Assessment

The Pueblo County Treasurer is responsible for assessing, collecting and distributing maintenance fund assessments in accordance with enabling District Court legislation. The maintenance fund fee is assessed to properties within the District's boundary as determined by the 10th Judicial District Court in January 2013. The maintenance fund assessment is included with the Pueblo County property tax billings on the first day of the assessment year and may be paid in two equal installments before the last day of February and the 15th day of June or in full before the last day of April. Fees are assessed based on property values, with a range of fees based on whether the property is located within (1) the flood plain, (2) the City of Pueblo limits but outside the flood plain, or (3) the County of Pueblo but outside the flood plain and outside the City of Pueblo limits.

Maintenance fund assessments are recognized as revenue as collected by the Pueblo County Treasurer. They are considered both measurable and available if collected within 60 days after December 31.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Data

An annual operating budget is adopted each fiscal year by the Board of the District. The Board of the District may amend the original adopted budget during the year by passing a new resolution to reflect current needs, changing conditions, or revised estimates. No budget amendments were adopted for the year ended December 31, 2013.

Tax, Revenue, Spending and Debt Limitations

In November, 1992, Colorado voters adopted Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992. 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.

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are summarized as follows:

Cash and cash equivalents –	
Demand deposits	\$ 519,433
Money market funds held at banks	11,907
	<u>\$ 531,340</u>
Investments –	
Colo Trust	\$ 25,085
Money market funds held at brokerages	268,940
U.S. Agency Securities	816,306
	<u>\$ 1,110,331</u>

DEPOSITS

At December 31, 2013, the carrying amount of the District's deposits was \$531,340 and the bank balance was \$532,820. Of the bank balance, \$250,000 was covered by federal depository insurance and \$282,820 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law required that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public 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 as security must equal 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.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of December 31, 2013, deposits with a bank balance of \$282,820 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the District's name.

INVESTMENTS

The District is subject to the provisions of Colorado Revised Statutes 24-75-601, which is entitled "Concerning Investment in Securities by Public Entities". This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. 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, guaranteed insurance contracts and U.S. dollar-denominated corporate or bank debt. 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 governing body has authorized maturities on U.S. Agency Securities up to thirty years.

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At December 31, 2013, the District had the following investments and maturities:

	Fair Value	Less Than One Year	Investment Maturities			
			1-5 Years	5-10 Years	21-25 Years	26-30 Years
Investment Type:						
Colo Trust	\$ 25,085	\$ 25,085	\$ -	\$ -	\$ -	\$ -
Money market funds	268,940	268,940	-	-	-	-
U.S. Agency Securities	816,306	59,996	224,438	144,925	194,245	192,702
Total Investments	<u>\$1,110,331</u>	<u>\$ 354,021</u>	<u>\$ 224,438</u>	<u>\$ 144,925</u>	<u>\$ 194,245</u>	<u>\$ 192,702</u>

Custodial credit risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not limit the holding of securities by counterparties.

Interest rate risk – The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the Board of Directors authorizes a longer period.

Money market funds totaling \$25,085 as noted above represent funds held in the Colo Trust investment pool. The Colo Trust investment pool is an external investment pool that is not registered with the SEC as an investment company but has policies that provide it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than market value in computing share prices if certain conditions are met. The regulatory oversight for the pool rests with the Colorado Securities Commission and the fair value of the District's investment in the pool is the same as the value of the pool shares. This District's investment in this external investment pool was generally rated AAAM by Moody's and Standards and Poor's.

At December 31, 2013, the District's investment in U.S. Agency Securities was rated as Aaa by Moody's and AA+ by Standards and Poor's. In addition, the District's money market funds held at brokerages were fully covered by FDIC insurance through the brokerage's insured bank programs at December 31, 2013.

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE D – CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance January 1, 2013	Additions	Deletions	Balance December 31 2013
Governmental Activities				
Capital assets, being depreciated – Levee improvements	\$ 190,147	\$ -	\$ -	\$ 190,147
Accumulated depreciation – Levee improvements	(15,053)	(9,508)	-	(24,561)
Governmental activities capital assets, net	\$ 175,094	\$ (9,508)	\$ -	\$ 165,586
Depreciation expense by function: General government	\$ 9,508			

The balance reported as of January 1, 2013, represents the District's adoption of the provisions of GASB 34 as it relates to capital assets.

NOTE E – MAINTENANCE FUND ASSESSMENT REVENUE

During the year ended December 31, 2013, the District collected maintenance fund assessments as follows:

	<u>General Fund</u>
Maintenance fund assessments collected	\$ 924,562
Less: Treasurer's fee	(9,245)
Refunds paid	(31,787)
Net maintenance fund assessment revenue	\$ 883,530

NOTE F – NET POSITION – PRIOR PERIOD ADJUSTMENT

Net position at January 1, 2013 has been restated from amounts previously reported as follows:

Net position at January 1, 2013 as previously reported	\$ 865,742
Prior period adjustment to implement GASB 34 and capitalize levee improvements, net of accumulated depreciation	175,094
Net position at January 1, 2013, as restated	\$ 1,040,836

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE G – FUND BALANCES

At December 31, 2013, fund balance for governmental funds consists of the following:

	<u>Governmental Activities</u>	
	<u>General Fund</u>	<u>Total Governmental Fund</u>
Assigned fund balance		
Subsequent years expenditures	\$ 597,152	\$ 597,152
Unassigned fund balances	<u>976,684</u>	<u>976,684</u>
Total fund balance	<u>\$ 1,573,836</u>	<u>\$ 1,573,836</u>

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District carries commercial insurance for such risks, including property and liability insurance. Settled claims resulting from these risks did not exceed commercial insurance coverage for each of the last three years.

REQUIRED SUPPLEMENTARY INFORMATION

THE PUEBLO CONSERVANCY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services			
Intergovernmental fees	\$ 50,000	\$ 50,000	\$ -
Miscellaneous revenue	-	275	275
Maintenance fund assessment	314,000	883,530	569,530
Investment earnings	30,000	(7,582)	(37,582)
Total revenues	<u>394,000</u>	<u>926,223</u>	<u>532,223</u>
Expenditures:			
General government			
Director fees	\$ 7,200	\$ 7,200	\$ -
Payroll taxes	551	551	-
Professional fees - legal	6,000	7,551	(1,551)
Professional fees - accounting	4,200	4,970	(770)
Professional fees - engineering	7,200	7,608	(408)
Professional fees - other	10,000	-	10,000
Office expense	500	1,511	(1,011)
Insurance	3,200	3,328	(128)
Rent	1,000	840	160
Appraisal assistance	20,000	-	20,000
Repairs and maintenance	20,000	66,867	(46,867)
Levee engineering and professional fees	550,000	42,703	507,297
HARP intergovernmental fees	75,000	75,000	-
Total expenditures	<u>704,851</u>	<u>218,129</u>	<u>486,722</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (310,851)</u>	<u>708,094</u>	<u>\$ 1,018,945</u>
Fund balance, January 1		<u>865,742</u>	
Fund balance, December 31		<u>\$ 1,573,836</u>	

THE PUEBLO CONSERVANCY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013

BUDGETARY INFORMATION

The District adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

On or before the first board meeting in October, the executive director submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments. The District adopts a budget for the general fund and the general fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budget.

Expenditure estimates in the annual budgets are enacted into law by the passage of an appropriation resolution. The board of directors may amend the original adopted budget during the year by passing a new resolution to reflect current needs. During 2013 the expenditure estimates were not amended.

The legal level of budgetary control exists at the total fund level, which is to say total expenditures in the general fund cannot legally exceed appropriations.