

# *Garren, Ross & DeNardo, Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

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September 6, 2016

Board of Directors  
Pueblo Conservancy District  
Pueblo, Colorado

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Pueblo Conservancy District as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Pueblo Conservancy District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pueblo Conservancy District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pueblo Conservancy District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Prior year reported:

We noted a significant number of checks that were prepared and never issued. The checks were for assessment refunds which were recorded as payables at December 31, 2013. Checks should not be prepared until they are ready to be issued.

Current status: No change.

This communication is intended solely for the information of the Board of Directors, and is not intended to be and should not be used by anyone other than the specified party.

*Garren, Ross & DeNardo, Inc.*

Garren, Ross & DeNardo, Inc.  
Certified Public Accountants

**THE PUEBLO CONSERVANCY DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2015**

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September 6, 2016

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, 2015, 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, 2015, 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.

**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-iv and 18-20 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.

*Harvey Ross & DeNardo, Inc.*

**PUEBLO CONSERVANCY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

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, 2015. 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.

**Financial Highlights**

- The assets of the District exceeded its liabilities and deferred inflows of resources at the end of 2015 by \$3,175,235 (net position). The composition of net position included net investment in capital assets of \$1,754,793 and unrestricted net position of \$1,420,442.
- The District's net position increased by \$705,585 for the year ended December 31, 2015.
- At December 31, 2015, the District's general fund reported total fund balance of \$1,436,772, which is a decrease of \$2,317,819 for 2015. This was due to capital outlay expenditures for phase 1 and phase 2 of the levee improvement project totaling \$3,164,791 less maintenance fund assessment collections of \$855,526.

**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 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 supplementary 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 is 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 or 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 statements gives the reader a detailed short-term view that assists the reader in determining 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.

### Government-Wide Financial Analysis

The following table provides a condensed comparative presentation of the District's statement of net position at December 31, 2015 and 2014.

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 2,503,963	\$ 4,950,413
Capital assets	<u>4,348,495</u>	<u>1,216,782</u>
Total assets	<u>6,852,458</u>	<u>6,167,195</u>
Current and other liabilities	675,926	784,668
Long-term liabilities	<u>1,986,297</u>	<u>2,062,877</u>
Total liabilities	<u>2,662,223</u>	<u>2,847,545</u>
Deferred inflows of resources	<u>1,015,000</u>	<u>850,000</u>
Net position –		
Net investment in capital assets	1,754,793	903,645
Unrestricted	<u>1,420,442</u>	<u>1,566,005</u>
Net position	<u>\$ 3,175,235</u>	<u>\$ 2,469,650</u>

The statement of activities presents information which reports how the District's net position changed during any one year. The following table provides a condensed statement of activities for the years ended December 31, 2015 and 2014:

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenue		
Program revenues --		
Operating grants and contributions	\$ 77,500	\$ -
General revenues --		
Maintenance fund assessments	855,526	852,009
Investment earnings	<u>47,208</u>	<u>44,005</u>
Total revenues	<u>980,234</u>	<u>896,014</u>
Expenses		
General government	137,146	81,282
Intergovernmental	60,000	60,000
Interest and fiscal charges	<u>77,503</u>	<u>24,505</u>
Total expenses	<u>274,649</u>	<u>165,787</u>
Change in net position	705,585	730,227
Net position, January 1	<u>2,469,650</u>	<u>1,739,423</u>
Net position, December 31	<u>\$ 3,175,235</u>	<u>\$ 2,469,650</u>

Net position increased \$705,585 during 2015 due to the continued collection of maintenance fund assessments and the additional depreciation expense incurred during 2015 totaling \$23,571, along with additional interest expense of \$52,998.

### **Financial Analysis of the General Fund**

The focus of the District's general fund is to provide information on current year revenue, expenditures and the balance of spendable resources. In particular, fund balance serves as a useful measure of the District's net resources available for spending. At December 31, 2015, the District's fund balance totaled \$1,436,772, which is a decrease of \$2,317,819. For the most part, the decrease was due to capital outlay expenditures of \$3,164,791 less maintenance fund assessment collections of \$855,526.

### **General Fund Budgetary Highlights**

The District amended the 2015 original budget by including the bond issuance proceeds of \$2,500,000 as another financing source and increasing budgeted debt service expenditures by \$2,100,000 to reflect the payoff of the 2014 series A bond payable.

### **Capital Assets and Debt Administration**

The District's net investment in capital assets for its governmental activities at December 31, 2015 totaled \$4,348,495, which is net of accumulated depreciation of \$67,146. The most significant change from the prior year is the completion of phase 1 of the levee improvement project which totaled \$4,040,539 upon completion.

In late 2015, the District issued \$10,000,000 2015 maintenance fund bond series A, of which \$2,500,000 was drawn to pay off the outstanding 2014 series A maintenance fund bonds. Additional information on the District's long-term debt can be found in the notes to the financial statements.

### **Request 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 District'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  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	Governmental <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 178,843	\$ 178,843
Investments	1,307,710	1,307,710
Other receivables	2,410	2,410
Maintenance fund assessment receivable	1,015,000	1,015,000
Capital assets -		
Land	3,000	3,000
Construction in progress	181,954	181,954
Other capital assets, net of depreciation	<u>4,163,541</u>	<u>4,163,541</u>
Total Capital Assets	<u>4,348,495</u>	<u>4,348,495</u>
<b>TOTAL ASSETS</b>	<u>6,852,458</u>	<u>6,852,458</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 68,521	\$ 68,521
Long-term liabilities -		
Due within one year	607,405	607,405
Due in more than one year	<u>1,986,297</u>	<u>1,986,297</u>
Total Liabilities	<u>2,662,223</u>	<u>2,662,223</u>
Deferred inflows of resources -		
Maintenance fund assessments	<u>1,015,000</u>	<u>1,015,000</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,754,793	1,754,793
Unrestricted	<u>1,420,442</u>	<u>1,420,442</u>
<b>TOTAL NET POSITION</b>	<u>\$ 3,175,235</u>	<u>\$ 3,175,235</u>

The accompanying notes are an integral part of these statements.

**THE PUEBLO CONSERVANCY DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contribution	Net (Expense) Revenue and Changes in Net Position	
			Governmental Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 137,146	\$ 77,500	\$ (59,646)	\$ (59,646)
Intergovernmental	60,000	-	(60,000)	60,000
Interest and fiscal charges	77,503	-	(77,503)	(77,503)
	<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 77,500</b>	<b>(197,149)</b>	<b>(197,149)</b>
<b>GENERAL REVENUES</b>				
Maintenance fund assessments			855,526	855,526
Investment earnings			47,208	47,208
			<b>TOTAL GENERAL REVENUES</b>	<b>902,734</b>
<b>CHANGE IN NET POSITION</b>			705,585	705,585
<b>NET POSITION, January 1</b>			2,469,650	2,469,650
<b>NET POSITION, December 31</b>			\$ 3,175,235	\$ 3,175,235

The accompanying notes are an integral part of these statements.

**THE PUEBLO CONSERVANCY DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 178,843	\$ 178,843
Investments	1,307,710	1,307,710
Other receivables	2,410	2,410
Maintenance fund assessment receivable	<u>1,015,000</u>	<u>1,015,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,503,963</u></b>	<b><u>\$ 2,503,963</u></b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 52,191	\$ 52,191
Total liabilities	<u>52,191</u>	<u>52,191</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Maintenance fund assessments	<u>1,015,000</u>	<u>1,015,000</u>
 <b>FUND BALANCE</b>		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Assigned	1,436,772	1,436,772
Unassigned	<u>-</u>	<u>-</u>
Total fund balances	<u>1,436,772</u>	<u>1,436,772</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	 <b><u>\$ 2,503,963</u></b>	 <b><u>\$ 2,503,963</u></b>

The accompanying notes are an integral part of these statements.

**THE PUEBLO CONSERVANCY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental fund		\$ 1,436,772
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.		
The cost of capital assets is	4,415,640	
Accumulated depreciation is	(67,145)	4,348,495
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental fund. Long-term liabilities at year end consist of:		
Accrued interest payable	(16,330)	
Bond payable	(2,593,702)	(2,610,032)
Total net position - governmental activities		\$ 3,175,235

The accompanying notes are an integral part of these statements.

**THE PUEBLO CONSERVANCY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Total Governmental Fund</u>
<b>REVENUES</b>		
Maintenance fund assessment	\$ 855,526	\$ 855,526
Intergovernmental	77,500	77,500
Interest	47,208	47,208
<b>TOTAL REVENUES</b>	<u>980,234</u>	<u>980,234</u>
<b>EXPENDITURES</b>		
Current -		
General government	104,068	104,068
Intergovernmental	60,000	60,000
Debt service -		
Principal	2,500,000	2,500,000
Interest	54,542	54,542
Debt issuance costs	8,354	8,354
Capital outlay	3,164,791	3,164,791
<b>TOTAL EXPENDITURES</b>	<u>5,891,755</u>	<u>5,891,755</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(4,911,521)	(4,911,521)
<b>OTHER FINANCING SOURCES</b>		
Issuance of bond	2,593,702	2,593,702
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,593,702</u>	<u>2,593,702</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,317,819)	(2,317,819)
<b>FUND BALANCE, January 1</b>	<u>3,754,591</u>	<u>3,754,591</u>
<b>FUND BALANCE, December 31</b>	<u>\$ 1,436,772</u>	<u>\$ 1,436,772</u>

The accompanying notes are an integral part of these statements.

**THE PUEBLO CONSERVANCY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2015**

Amounts reported for governmental activities are different because:

Total net change in fund balances - governmental fund \$ (2,317,819)

Capital outlays are reported in the governmental fund as expenditures. However, for governmental activities these costs are reported in the statement of net position and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense.

Capital outlay	3,164,791	
Depreciation expense	<u>(33,077)</u>	3,131,714

The governmental fund reports the proceeds from the issuance of debt obligations as another financing source and the repayment of principal on bonds as an expenditures. Interest expense is recognized as an expenditure in the governmental fund when it is due, while interest expense is recognized when incurred in the statement of activities. The net effect of these differences in the treatment of bonds and other obligations follows:

Issuance of bond	(2,593,702)	
Interest expense on bonds	(14,608)	
Principal payment on bond	<u>2,500,000</u>	<u>(108,310)</u>

Changes in net position - governmental activities \$ 705,585

The accompanying notes are an integral part of these statements.

**NOTES TO FINANCIAL STATEMENTS**

**THE PUEBLO CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 nine member board of directors who are appointed by the City of Pueblo, Colorado and the County of Pueblo, Colorado.

The financial statements of the 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 meet the criteria for inclusion, no component unit financial statements have been included.

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all the activities of the District.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. 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 or activity; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Maintenance assessments and other items not properly included among program revenues are reported instead as general revenues. The net cost by function is normally covered by general revenue such as maintenance assessments or other unrestricted revenues.

Separate fund financial statements are provided for the governmental fund. The governmental fund is reported as a separate column.

The government-wide focus is more on the sustainability of the District as a whole and the changes in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual governmental fund. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**THE PUEBLO CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

**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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Maintenance assessments are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred as is the case with accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when the liability has matured and payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund. Maintenance assessments and interest are considered revenues susceptible to accrual.

**Governmental Fund**

The District reports, as required by generally accepted accounting principles, the general fund as a major fund. The general fund is used to account for all financial resources of the District except those required to be accounted for in a separate fund, if any. Major revenue sources include maintenance assessments and interest, while primary expenditures include general government and capital outlay.

**Cash, Cash Equivalents and Investments**

Cash and equivalents include interest and non-interest bearing bank deposits. Investments include money market funds and U.S. agency securities.

In accordance with generally accepted accounting principles, the District records the U.S. agency securities at fair value with any unrealized gain or loss included as part of investment income. The remaining investments, namely money market funds, are reported at cost. The money market funds are classified as short-term money market investments that mature within one year of acquisition date. The money market funds include 2a7, SEC-registered external investment pools that are regulated by the SEC, along with other external investment pools that are not regulated by the SEC and, thus, the fair value of the District's holdings in these investment pools is the same as the value of the pool shares.

**THE PUEBLO CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

**Maintenance Assessments**

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 10<sup>th</sup> Judicial District Court in January 2015. 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 15<sup>th</sup> 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. The maintenance fund assessment has been determined by the Colorado Supreme Court to be an assessment and not a tax.

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.

**Capital Assets**

The District capitalizes acquisitions and betterments that exceed \$10,000 with a useful life of one year or more. Acquisitions and betterments not meeting this criteria are expensed in the current year.

Capital assets are depreciated using the straight-line method as follows:

<u>Description</u>	<u>Governmental Activities</u>
Levee improvements	20-100 years

**Long-Term Liabilities**

In the government-wide financial statements long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts, as well as bond insurance costs, if any, are deferred and amortized over the life of the obligation using the interest method.

In the governmental fund financial statements, bond premium and discounts, as well as bond issue costs, are recognized during the current period. The face amount of the debt issue, along with the related discount or premium, if any, is reported as other financing sources, while debt issue costs are reported as debt service expenditures.

**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 may be displayed in the following five categories:

**THE PUEBLO CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

- 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.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- 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.
- 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 balances 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 statement, 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.
- 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”.

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 revenues as needed.

**THE PUEBLO CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**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. 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.

**NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash, cash equivalents and investments are summarized as follows:

Cash and cash equivalents –	
Demand deposits	\$ 178,843
Investments -	
Colo Trust	\$ 25,159
Money market funds held at brokerages	200,765
U.S. Agency securities	<u>1,081,786</u>
	<u>\$ 1,307,710</u>

**DEPOSITS**

At December 31, 2015, the carrying amount of the District's deposits was \$178,843 and the bank balance was \$225,635, which was insured in its entirety by federal depository insurance and held at a qualified public deposit protection act bank under Colorado law.

**THE PUEBLO CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)**

**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.

At December 31, 2015, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>							
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>	<u>21-25</u>	<u>26-30</u>
Colo Trust	\$ 25,159	\$ 25,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Money market funds	200,765	200,765	-	-	-	-	-	-
U.S. Agency securities	<u>1,081,786</u>	<u>132,761</u>	<u>121,665</u>	<u>65,494</u>	<u>209,064</u>	<u>2,889</u>	<u>295,701</u>	<u>254,212</u>
	<u>\$ 1,307,710</u>	<u>\$ 358,685</u>	<u>\$ 121,665</u>	<u>\$ 65,494</u>	<u>\$ 209,064</u>	<u>\$ 2,889</u>	<u>\$ 295,701</u>	<u>\$ 254,212</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 \$25,159 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 fair 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. The District’s investment in this external investment pool was generally rated AAAM by Moody’s and Standards and Poor’s.



**THE PUEBLO CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE E – LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities in the government-wide statement of net position for the year ended December 31, 2015:

	Balance January 1, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2015</u>	Due Within <u>One Year</u>
Governmental activities --					
Maintenance fund bond series 2014A	\$ 2,500,000	\$ -	\$ 2,500,000	\$ -	\$ -
Maintenance fund bond 2015 series A	<u>-</u>	<u>2,593,702</u>	<u>-</u>	<u>2,593,702</u>	<u>607,405</u>
	<u>\$ 2,500,000</u>	<u>\$ 2,593,702</u>	<u>\$ 2,500,000</u>	<u>\$ 2,593,702</u>	<u>\$ 607,405</u>

Payments on the maintenance fund bond 2015 series will be reported in the general fund.

The following is a description of the individual issue for the governmental activities:

\$10,000,000 2015 series A maintenance fund tax-exempt draw bonds;  
interest rate of 3.57%; due in annual installments of principal and interest  
totaling \$700,000 annually through October 29, 2022, at which time entire  
balance is due

\$ 2,593,702

The bond agreement provides that the District must draw down the entire proceeds of the bonds within eighteen months after closing.

The estimated debt service requirements at December 31, 2015 for the governmental activities bond payable are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 607,405	\$ 92,595	\$ 700,000
2017	629,089	70,911	700,000
2018	651,548	48,452	700,000
2019	674,808	25,192	700,000
2020	<u>30,853</u>	<u>1,101</u>	<u>31,954</u>
	<u>\$ 2,593,703</u>	<u>\$ 238,251</u>	<u>\$ 2,831,954</u>

**THE PUEBLO CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE E – LONG-TERM LIABILITIES (Cont'd.)**

The principal and interest on the bonds described above are payable only from the revenue generated by the maintenance fund assessment as allowed under Colorado law. The debt service on the bond constitutes an irrevocable lien on the revenue of the maintenance fund assessment but not necessarily an exclusive such lien.

The 2015 series A bond does not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision or limitation and shall not be considered or held to be a general obligation of the District.

**NOTE F – FUND BALANCE**

At December 31, 2015, fund balance for the governmental fund consisted of the following:

	<u>Governmental Activities</u>	
	<u>General</u>	<u>Total</u>
	<u>Fund</u>	
Assigned –		
Subsequent years' expenditures	<u>\$ 1,436,772</u>	<u>\$ 1,436,772</u>
Total fund balance	<u>\$ 1,436,772</u>	<u>\$ 1,436,772</u>

**NOTE G – 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 disasters. 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  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Maintenance fund assessment	\$ 850,000	\$ 850,000	\$ 855,526	\$ 5,526
Intergovernmental	77,500	77,500	77,500	-
Interest revenue	21,000	21,000	47,208	26,208
Bond proceeds	-	2,500,000	2,593,702	93,702
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>948,500</u>	<u>3,448,500</u>	<u>3,573,936</u>	<u>125,436</u>
<b>EXPENDITURES</b>				
Current -				
Director fees	21,600	21,600	21,600	-
Payroll taxes	-	-	-	-
Professional fees - legal	6,000	6,000	6,645	(645)
Professional fees - accounting	16,200	16,200	18,377	(2,177)
Professional fees - engineering	15,000	15,000	15,765	(765)
Professional fees - other	12,500	12,500	-	12,500
Office expense	4,450	4,450	2,525	1,925
Insurance	3,500	3,500	2,503	997
Planning and development	5,000	5,000	-	5,000
Repairs and maintenance	23,500	23,500	36,653	(13,153)
Levee engineering and professional fees	136,000	136,000	-	136,000
Contingencies	20,000	20,000	-	20,000
Intergovernmental	60,000	60,000	60,000	-
Debt service -				
Principal payments	450,000	2,500,000	2,500,000	-
Interest charges	50,000	100,000	54,542	45,458
Debt issuance costs	-	-	8,354	(8,354)
Capital outlay	<u>2,976,740</u>	<u>2,976,740</u>	<u>3,164,791</u>	<u>(188,051)</u>
TOTAL EXPENDITURES	<u>3,800,490</u>	<u>5,900,490</u>	<u>5,891,755</u>	<u>8,735</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>				
	(2,851,990)	(2,451,990)	(2,317,819)	134,171
FUND BALANCE, January 1	<u>2,851,990</u>	<u>2,451,990</u>	<u>3,754,591</u>	<u>1,302,601</u>
FUND BALANCE, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,436,772</u>	<u>\$ 1,436,772</u>

**THE PUEBLO CONSERVANCY DISTRICT  
RECONCILIATION OF THE BUDGETARY BASIS OF ACCOUNTING  
TO GAAP BASIS OF ACCOUNTING  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2015**

BUDGETARY BASIS

Explanation of differences between budgetary revenues and other financing sources and GAAP basis revenues

REVENUES AND OTHER FINANCING SOURCES

Actual amounts (budgetary basis) of revenues and other financing sources from the budgetary comparison schedule	\$ 3,573,936
Differences - budget to GAAP - Bond issue proceeds	<u>(2,593,702)</u>
GAAP BASIS REVENUES	<u>\$ 980,234</u>

**THE PUEBLO CONSERVANCY DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**

**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 2015 the expenditure estimates were 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.