

Southwestern Water Conservation District

Annual Financial Report

December 31, 2017

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June 26, 2018

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**Haynie &
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Certified Public Accountants (a professional corporation)

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Report of Independent Certified Public Accountants

To the Board of Directors
Southwestern Water Conservation District
Durango, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of Southwestern Water Conservation District as of and for the year ended December 31, 2017 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 of material misstatement.

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

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



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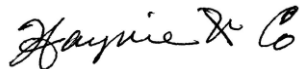
Opinion

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 Southwestern Water Conservation District, as of December 31, 2017 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 management's discussion and analysis and the budgetary comparison for the general fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Littleton, Colorado

June 7, 2018

Southwestern Water Conservation District
Management's Discussion and Analysis (Unaudited)
December 31, 2017

As management of the Southwestern Water Conservation District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017.

This discussion and analysis is intended to be an easily readable analysis of the Southwestern Water Conservation District's financial activities based on currently known facts, decisions and conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

Besides this Management's Discussion and Analysis (MD&A), the report consists of financial statements, the notes to the financial statements, and other supplementary information. Southwestern Water Conservation District was created by the State of Colorado legislation. The purpose of the District is to protect, conserve, use and develop the water resources of the Southwestern basin for the welfare of the District and to safeguard for Colorado all waters of the basin to which the state is entitled. The District is made up of nine counties. They include: Archuleta, Dolores, La Plata, Montezuma, San Juan, San Miguel and parts of Hinsdale, Mineral and Montrose. The financial statements of Southwestern Water Conservation District consist of two primary statements: the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

The Statement of Net Position reflects the cumulative financial condition of the District on December 31, 2017. Net position reflects the sum total of earnings and contributions to the District over its lifetime, net of any losses incurred.

The Statement of Revenues, Expenses and Changes in Net Position shows the change in financial condition from operations and other activities during the calendar year ending December 31, 2017.

This MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior year. Significant changes from the prior year are explained following the reports.

Statement of Net Position:

	2017	2016	Change
Assets			
Cash and Cash Equivalents	\$ 940,596	\$ 629,031	\$ 311,565
Deferred Property Taxes Receivable	1,507,707	1,501,562	6,145
Receivable from other Governmental Entities	80,354	86,639	(6,285)
Investments	1,165,229	1,157,785	7,444
Prepaid Insurance	28,283	15,015	13,268
Capital Assets, Net of Accumulated Depreciation	<u>10,178</u>	<u>9,236</u>	<u>942</u>
Total Assets	3,732,347	3,399,268	333,079
Liabilities			
Accounts Payable	156,567	44,595	111,972
Accrued Expenses	<u>16,403</u>	<u>19,404</u>	<u>(3,001)</u>
Total Liabilities	172,970	63,999	108,971
Deferred Inflow of Resources			
Property Tax Revenue	<u>1,507,707</u>	<u>1,501,562</u>	<u>6,145</u>
Total Deferred Inflow of Resources	1,507,707	1,501,562	6,145
Net Position			
Net Investment in Capital Assets	10,178	9,236	942
Restricted - Emergency Reserves	41,561	41,789	(228)
Committed grants to be paid	91,097	-	91,097
Unrestricted	<u>1,908,834</u>	<u>1,782,682</u>	<u>126,152</u>
Total Net Position	<u>2,051,670</u>	<u>1,833,707</u>	<u>217,963</u>
Total Liabilities, Deferred Inflow of Resources & Net Position	<u><u>\$ 3,732,347</u></u>	<u><u>\$ 3,399,268</u></u>	<u><u>\$ 333,079</u></u>

During the year ended December 31, 2017, assets increased by \$333,079. The District collected tax revenue generated by its mill levy of .395. The District purchased 2 certificates of deposit in 2017 in the amount of \$1,017,019.

The District had accounts payable due at the end of 2017 that were paid in 2018.

Statement of Activities:

	2017	2016	Change
Revenues			
Taxes			
Property Taxes Receivable	\$ 1,483,963	\$ 1,473,824	\$ 10,139
Specific Ownership Taxes	134,555	115,168	19,387
Interest & Penalties	41,532	44,989	(3,457)
Interest Income	8,841	7,741	1,100
Water Information Program	56,645	68,880	(12,235)
Cost Sharing Animas La Plata Water Conservancy District	66,303	67,248	(945)
Stream Gaging	25,192	24,719	473
Other Local Sources	12,092	10,268	1,824
Total Revenues	<u>1,829,123</u>	<u>1,752,893</u>	<u>76,230</u>
Expenses			
General Government			
Board Expenses	48,308	67,695	(19,387)
Administration			
Personnel	232,349	231,668	681
Other Services	55,475	50,347	5,128
County Treasurers' Fees	43,878	43,330	548
Rent	27,923	28,013	(90)
Dues & Memberships	19,050	18,436	614
Professional & Technical Services	10,426	8,972	1,454
Supplies	8,129	8,367	(238)
Capital Outlay	4,019	2,922	1,097
Water Conservation Activities			
Other District Support	537,088	290,822	246,266
Legal	170,647	179,815	(9,168)
Stream Gaging - Federal	84,490	80,917	3,573
Weather Modification	75,950	75,950	-
Consulting	55,334	82,930	(27,596)
Engineering	39,780	41,781	(2,001)
San Juan River Basin - Recovery Implementation Program	80,136	50,584	29,552
Spring Seminar and Water Festival	24,361	31,192	(6,831)
Demonstration CSU Farm	10,000	10,000	-
River Protection Workgroup	388	1,500	(1,112)
Stream Gaging - Colorado	-	2,400	(2,400)
Water Information Program	81,079	88,628	(7,549)
Total Expenditures	<u>1,608,810</u>	<u>1,396,269</u>	<u>212,541</u>
Excess of Revenues Over Expenditures	<u>\$ 220,313</u>	<u>\$ 356,623</u>	<u>\$ (136,310)</u>

The District's revenue increased in 2017 from tax revenue generated by the District's .395 mill levy and by the collection of more Specific Ownership tax. The District continues to share office and personnel expenses with the Animas La Plata Water Conservancy District and receives compensation toward these expenses.

The District's expenses increased in 2017 mainly due to increased aid and assistance to other organizations for water management and development.

Basic Financial Statements

Southwestern Water Conservation District
Statement of Net Position
December 31, 2017

Assets	Governmental Activities
Cash	\$ 940,596
Investments	1,165,229
Deferred property taxes receivable	1,507,707
Receivable from other governmental entities	80,354
Prepaid insurance	28,283
Capital assets, net of accumulated depreciation	<u>8,326</u>
Total assets	<u><u>\$ 3,730,495</u></u>
 Liabilities	
Accounts payable	\$ 127,304
Accrued expenses	<u>16,403</u>
Total liabilities	<u>143,707</u>
 Deferred Inflows of Resources	
Property tax revenue	<u>1,507,707</u>
Total deferred inflows of resources	<u>1,507,707</u>
 Net Position	
Net investment in capital assets	8,326
Restricted - emergency reserves	47,317
Committed grants to be paid	46,277
Unrestricted	<u>1,977,161</u>
Total Net Position	<u>2,079,081</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 3,730,495</u></u>

The accompanying notes are an integral part of these financial statements.

Southwestern Water Conservation District
Statement of Activities
For the Year Ended December 31, 2017

Functions/Program Activities	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net</u>
		<u>Governmental Activities</u>
Governmental activities:		
General government	\$ 53,537	\$ (53,537)
Administration	396,930	(396,930)
Water conservation activities	1,048,911	(1,048,911)
Water Information Program	<u>81,079</u>	<u>(81,079)</u>
Total governmental activities	1,580,457	(1,580,457)
General revenues:		
Taxes		
Property taxes		1,483,963
Specific ownership taxes		134,555
Interest and penalties		41,532
Interest income		8,841
Water Information Program		56,645
Cost sharing Animas-La Plata		
Water Conservancy District		66,303
Stream gaging		25,192
Other local sources		<u>12,092</u>
Total general revenues		<u>1,829,123</u>
Change in net position		248,666
Net position - beginning of year		<u>1,830,415</u>
Net position - end of year		<u><u>\$ 2,079,081</u></u>

The accompanying notes are an integral part of these financial statements.

Southwestern Water Conservation District
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2017

	Total Governmental Funds
Assets	
Cash and cash equivalents	\$ 940,596
Deferred property taxes receivable	1,507,707
Receivable from other government entity	80,354
Investments	1,165,229
Prepaid expenses	28,283
Total assets	<u>\$ 3,722,169</u>
Liabilities	
Accounts payable	\$ 127,304
Accrued expenses	16,403
Total liabilities	<u>143,707</u>
Deferred Inflows of Resources	
Property tax revenue	<u>1,507,707</u>
Total deferred inflows of resources	<u>1,507,707</u>
Fund Balances	
Restricted - emergency reserves	47,317
Assigned - subsequent year's expenditures	<u>2,023,438</u>
Total Fund Balances	<u>2,070,755</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,722,169</u>
Reconciliation of Fund Balances to Net Position	
Fund Balances - Total Governmental Funds	\$ 2,070,755
Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:	
Capital assets used in governmental activities are not financial resources and are excluded from the funds.	
Governmental capital assets	32,659
Less accumulated depreciation	<u>(24,333)</u>
Net position of governmental activities	<u><u>\$ 2,079,081</u></u>

The accompanying notes are an integral part of these financial statements.

Southwestern Water Conservation District
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2017

	Total
Revenues	
Taxes	
Property taxes	\$ 1,483,963
Specific ownership taxes	134,555
Interest and penalties	41,532
Interest income	8,841
Water Information Program	56,645
Cost sharing Animas-La Plata Water Conservancy District	66,303
Stream gaging	25,192
Other local sources	12,092
Total Revenues	1,829,123
Expenses	
General government	
Board expenses	53,537
Administration	
Personnel	227,120
Other Services	55,475
County treasurers' fees	43,878
Rent	27,923
Dues and subscriptions	19,050
Professional and technical services	10,426
Supplies	8,129
Capital outlay	4,019
Water conservation activities	
Other district support	537,088
Legal	170,647
Stream gaging - Federal	84,490
Weather modification	75,950
Consulting	55,334
Engineering	39,780
San Juan River Basin - Recovery Implementation Program	50,873
Spring seminar and water festival	24,361
Demonstration CSU farm	10,000
River protection workgroup	388
Stream gaging - Colorado	-
Water information program	81,079
Total Expenditures	1,579,547
Excess of Expenditures over Revenues	249,576
Fund balances:	
Beginning of the year	1,821,179
End of the year	\$ 2,070,755

The accompanying notes are an integral part of these financial statements.

Southwestern Water Conservation District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2017

Net change in fund balance—total governmental funds \$ 249,576

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Current year additions	2,322
Current year depreciation	<u>(3,232)</u>

Change in net position of governmental activities \$ 248,666

The accompanying notes are an integral part of these financial statements.

Southwestern Water Conservation District

Notes to Financial Statements

December 31, 2017

1. Definition of Reporting Entity

Southwestern Water Conservation District (the District), operates under the statutes governing conservation districts of the State of Colorado. Southwestern Water Conservation District (the District) was created in 1941 for the protection, conservation, use, and development of the water resources of the San Juan and Dolores Rivers and their principal tributaries. The District is comprised of the counties of San Miguel, Dolores, Montezuma, Archuleta, San Juan, La Plata, and portions of Hinsdale, Mineral, and Montrose counties. The District operates under a Board of Directors form of government and the directors are appointed by County Commissioners of the counties within the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, the District's ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

Southwestern Water Conservation District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

2. Summary of Significant Accounting Policies

This summary of the Southwestern Water Conservation District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and liabilities are included on the balance sheet, and the fund balance includes only spendable resources. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both "measurable and available." Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are recorded when a liability is incurred as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

The District has one governmental fund:

General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources of the general government.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

On or before October 15, the District manager submits to the Board a proposed budget for the next 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. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2017.

Budget appropriations lapse at the end of each year.

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

Certificates of Deposit

During the year, the District invested in two certificates of deposits, which are listed at fair stated value as of December 31, 2017.

Capital Assets

Capital assets, which include office equipment and other equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight line method over the estimated useful lives. Office and other equipment are depreciated over 5 to 15 years.

Allowance for Uncollectibles

No allowance for uncollectibles has been provided because the District's receivables are property taxes, and the County Treasurer is empowered to file liens on properties where delinquencies exist. Accordingly, the District believes any delinquencies will eventually be paid.

Reserves

The District records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use. The following is a list of reserves used by the District and a description of each:

Reserved for Emergencies - An account used to reflect equity of the District which is restricted for emergency purposes by the Tabor Amendment of the State of Colorado Constitution. "Emergency" excludes economic conditions, revenue shortfalls, or District salary and fringe benefit increases.

Southwestern Water Conservation District

Notes to Financial Statements (continued)

December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition - Property Taxes

In the governmental fund financial statements property tax revenue is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date. This receivable represents taxes certified by the District to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied in the governmental fund statements.

The District's property taxes, levied by December 15, on assessed valuation as of the preceding January 1, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30, 2) one-half on or before February 28, and the remaining one-half on or before June 15. All unpaid taxes levied for the preceding year become delinquent June 16.

Estimates

The preparation of 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 during the period. Actual results could differ from those estimates.

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints.

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

For the year ended December 31, 2017, \$46,277 of the total fund balance was committed for grant requests approved as of year-end but not yet disbursed.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

Subsequent Events

The District has evaluated subsequent events for potential recognition and/or disclosure through June 7, 2018, the date the financial statements were made available to be issued and has determined that there are no items to disclose.

3. Capital Assets

	December 31,	Additions	Retirements	December 31,
	2016			2017
Furniture and equipment	\$ 10,432	\$ -	\$ -	\$ 10,432
Office improvements	<u>19,905</u>	<u>2,322</u>	<u>-</u>	<u>19,905</u>
Total	<u>30,337</u>	<u>-</u>	<u>-</u>	<u>30,337</u>
Less accumulated depreciation:	<u>(21,101)</u>	<u>(3,232)</u>	<u>-</u>	<u>(24,333)</u>
Capital assets, net	<u>\$ 9,236</u>	<u>\$ (910)</u>	<u>\$ -</u>	<u>\$ 8,326</u>

Depreciation expense for the year ended December 31, 2017 was \$3,232.

Southwestern Water Conservation District

Notes to Financial Statements (continued)

December 31, 2017

4. Cash and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2017, the District's cash deposits had a bank balance of \$933,435 and a carrying balance of \$940,596, of which \$250,000 was FDIC insured.

Investments

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Commercial paper

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2017

4. Cash and Investments (continued)

- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- * Local government investment pools

The local government investment pools, which include the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colotrust) are both rated AAAM by Standard & Poor's.

As of December 31, 2017, the District had the following investments:

ColoTrust	\$ 148,210
Certificates of deposit	<u>1,017,019</u>
Investments	<u>\$ 1,165,229</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard & Pools.

Certificates of Deposit

During 2017, through First National Bank of Durango, the District invested in a two year CD for \$817,019 at a rate of 1.55% per annum expiring in December of 2019, with a penalty of 90 days of interest for early withdrawal. During 2017, through First National Bank of Durango, the District invested in a two year CD for \$200,000 at a rate of 1.55% per annum maturing on December 29, 2019, with a penalty of 90 days interest for early withdrawal. Both CDs are listed at fair stated value as of December 31, 2017.

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2017

4. Cash and Investments (continued)

Interest Rate Risk – In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting investments in U.S. Treasuries and Certificates of Deposit to an original maturity of five years or less.

Credit Risk – The District’s investment policy limits investments to U.S. Treasury obligations, Certificates of Deposit, corporate bonds, other investment instruments and local government investment pools approved by the Board of Directors.

Concentration of Credit Risk – It is the policy of the District to diversify its investment portfolio to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific class, and specific issuer of securities. The District policy includes cash deposits in the total portfolio when determining concentration of investments.

5. Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District has made certain interpretations of the amendment's language in order to determine its compliance. The District has established an emergency reserve of 3% of its 2017 fiscal spending in accordance with the provisions of the Amendment. Restricted net position and fund balances consist of amounts restricted for emergency purposes by the Tabor Amendment in the amount of \$47,317.

6. Retirement Plan

The District has a 457b retirement plan for full-time employees. It is a defined contribution plan and is administered by Lincoln Financial Group. The District will match up to 5% of the employee's annual salary to the plan. The contributions into the Plan are fully vested immediately, foregoing any purpose for forfeitures. The Plan can be amended by the Executive Director. For the year ending December 31, 2017, the District contributed \$8,258.

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2017

7. Lease Agreements

Occupancy Lease

The District entered into a four year lease commencing November 1, 2009, and a new five year lease commencing November 1, 2013, for the business office in the West Building, located at 835 E 2nd Avenue in Durango. Lease payments are made monthly with a base amount plus their proportionate share of utilities and property taxes. The following is the schedule of payments for the lease:

Period	Monthly Payment	Annual Payment
November 1, 2013 – October 31, 2018	\$1,601	\$20,456

The District's base rent expense for the lease was \$20,456 in 2017. Total rent expense of \$27,923 included the District's proportionate share of the office's monthly janitorial service, electric, water, sewer, trash, gas charges, storage space, and parking space rentals.

Sublease

The District has a sublease with Animas–La Plata Water Conservancy District for office expenses. The District is reimbursed by Animas–La Plata Water Conservancy District for the expenses on a quarterly basis. The District was reimbursed \$15,922 in 2017.

8. Payroll Cost Share Agreement

The District has an agreement with Animas—La Plata Water Conservancy District wherein Animas–La Plata Water Conservancy District reimburses Southwestern Water Conservation District for a portion of payroll and the related payroll liabilities, which are calculated monthly. Animas–La Plata Water Conservancy District paid the District \$50,380 for the expenses in 2017.

9. Notes Receivable

The District has implemented a program to provide loans to water conservancy districts in southwest Colorado. Interest is being charged at 2.5 to 4.5%. Interest income received in 2017 was \$664. The outstanding loan balances are as follows:

Bauer Lake Loan	\$ 21,492
La Plata West Water Authority	<u>60,000</u>
Total	<u>\$ 81,492</u>

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2017

10. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. Commercial insurance is purchased by the District to cover losses or claims arising from such matters. It is not possible to estimate any losses which would not be covered by the commercial insurance; however, settled claims have not exceeded this commercial coverage in any of the three preceding years.

11. Joint Venture

The District is a participant in the Colorado Special Districts' Property and Liability Pool. The Pool is a joint venture between the Special Districts' Association of Colorado and various special districts in Colorado. The Pool provides property and general liability, automobile physical damage and liability, public officials' liability, inland marine, money and security and boiler and machinery coverage to its members. The District has not had any significant reductions in coverage or any losses of a material amount in any of the preceding three years.

The District does not know its percentage share of the joint venture.

The Pool has contracted with other third parties to operate, administer and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members. The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at 303-863-1733 in the Denver metro area and 1-800-886-1733 from outside the metro area.

Required Supplementary Information

Southwestern Water Conservation District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2017

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property taxes	\$ 1,501,562	\$ 1,483,963	\$ (17,599)
Specific ownership taxes	100,000	134,555	34,555
Interest and penalties	31,500	41,532	10,032
Total tax revenue	1,633,062	1,660,050	26,988
Other revenue			
Interest earned	6,800	8,177	1,377
Loan interest	664	664	-
Miscellaneous	5,000	5,922	922
ALP/WIP cost sharing	16,000	15,922	(78)
ALP cost sharing wages	53,258	50,381	(2,877)
Water seminar	4,600	6,170	1,570
WIP - Income - SWCD Match	27,800	26,950	(850)
WIP - participating	27,800	26,950	(850)
WIP - Other	2,020	2,745	725
Stream gaging reimbursement	25,200	25,192	(8)
Total other revenue	169,142	169,073	(69)
Total revenue	1,802,204	1,829,123	26,919
Expenditures:			
General government			
Board expenses	52,000	53,537	(1,537)
Administration			
Personnel	235,329	227,120	8,209
Other Services	82,150	55,475	26,675
County treasurers' fees	48,992	43,878	5,114
Rent	29,000	27,923	1,077
Dues and subscriptions	21,660	19,050	2,610
Professional and technical services	12,500	10,426	2,074
Supplies	8,900	8,129	771
Water conservation activities			
Aid to water management and development	741,097	435,278	305,819
Other district support	88,000	101,810	(13,810)
Legal	192,000	170,647	21,353
Stream gaging - Federal	85,000	84,490	510

Southwestern Water Conservation District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2017

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Weather modification	90,000	75,950	14,050
Consulting	66,500	55,334	11,166
Engineering	70,000	39,780	30,220
San Juan River Basin - Recovery Implementation Program	51,000	50,873	127
Spring seminar and water festival	25,000	24,361	639
Demonstration CSU farm	10,000	10,000	-
River Protection Workgroup	3,000	388	2,612
Stream gaging - Colorado	2,400	-	2,400
Water Information Program	73,153	81,079	(7,926)
Total Operating Expenditures	1,987,681	1,575,528	412,153
Other Expenditures			
Capital Outlay	4,000	4,019	(19)
Contingency	650,000	-	650,000
Emergency Reserves	42,026	-	42,026
Total Other Expenditures	696,026	4,019	692,007
Total Expenditures	2,683,707	1,579,547	1,104,160
Excess Revenue Over (Under)			
Expenditures	(881,503)	249,576	1,131,079
Fund Balance—Beginning of year	1,733,959	1,821,179	87,220
Fund Balance—End of Year	\$ 852,456	\$ 2,070,755	\$1,218,299