

# **Southwestern Water Conservation District**

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**Annual Financial Report**

**December 31, 2018**

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

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

## **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, 2018 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.

## **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, 2018 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  
July 23, 2019

**Southwestern Water Conservation District**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2018**

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, 2018.

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, 2018. 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, 2018.

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:**

	2018	2017	Change
<b>Assets</b>			
Cash and Cash Equivalents	\$ 961,316	\$ 940,596	\$ 20,720
Deferred Property Taxes Receivable	1,555,900	1,507,707	48,193
Receivable from other Governmental Entities	23,464	80,354	(56,890)
Investments	1,835,693	1,165,229	670,464
Prepaid Insurance	24,126	28,283	(4,157)
Capital Assets, Net of Accumulated Depreciation	<u>6,445</u>	<u>10,178</u>	<u>(3,733)</u>
Total Assets	4,406,944	3,732,347	674,597
<b>Liabilities</b>			
Accounts Payable	153,045	156,567	(3,522)
Accrued Expenses	<u>24,290</u>	<u>16,403</u>	<u>7,887</u>
Total Liabilities	177,335	172,970	4,365
<b>Deferred Inflow of Resources</b>			
Property Tax Revenue	<u>1,555,900</u>	<u>1,507,707</u>	<u>48,193</u>
Total Deferred Inflow of Resources	1,555,900	1,507,707	48,193
<b>Net Position</b>			
Net Investment in Capital Assets	6,445	10,178	(3,733)
Restricted - Emergency Reserves	65,712	41,561	24,151
Committed grants to be paid	46,277	91,097	(44,820)
Unrestricted	<u>2,555,275</u>	<u>1,908,834</u>	<u>646,441</u>
Total Net Position	<u>2,673,709</u>	<u>2,051,670</u>	<u>622,039</u>
<b>Total Liabilities, Deferred Inflow of Resources &amp; Net Position</b>	<u><u>\$ 4,406,944</u></u>	<u><u>\$ 3,732,347</u></u>	<u><u>\$ 674,597</u></u>

During the year ended December 31, 2018, assets increased by \$674,597, due to the increases in investments, from excess cash and investment earnings. The District collected tax revenue generated by its mill levy of .407.

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

**Statement of Activities:**

	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Revenues</b>			
Taxes			
Property Taxes Receivable	\$ 1,489,858	\$ 1,483,963	\$ 5,895
Specific Ownership Taxes	143,400	134,555	8,845
Interest & Penalties	44,218	41,532	2,686
Interest Income	25,109	8,841	16,268
Water Information Program	38,265	56,645	(18,380)
Cost Sharing Animas La Plata Water Conservancy District	69,346	66,303	3,043
San Juan River Basin - Recovery Implementation Program	50,873	-	50,873
Stream Gaging	25,706	25,192	514
Other Local Sources	22,948	12,092	10,856
Total Revenues	<u>1,909,723</u>	<u>1,829,123</u>	<u>80,600</u>
<b>Expenses</b>			
General Government			
Board Expenses	49,180	48,308	872
Administration			
Personnel	235,845	232,349	3,496
Other Services	52,010	55,475	(3,465)
County Treasurers' Fees	44,549	43,878	671
Rent	28,454	27,923	531
Dues & Memberships	21,229	19,050	2,179
Professional & Technical Services	8,535	10,426	(1,891)
Supplies	6,393	8,129	(1,736)
Capital Outlay	1,160	4,019	(2,859)
Water Conservation Activities			
Other District Support	206,506	537,088	(330,582)
Legal	187,948	170,647	17,301
Stream Gaging - Federal	87,799	84,490	3,309
Weather Modification	64,520	75,950	(11,430)
Consulting	52,551	55,334	(2,783)
Engineering	35,989	39,780	(3,791)
San Juan River Basin - Recovery Implementation Program	98,575	80,136	18,439
Spring Seminar and Water Festival	23,896	24,361	(465)
Demonstration CSU Farm	10,000	10,000	-
River Protection Workgroup	-	388	(388)
Stream Gaging - Colorado	2,400	-	2,400
Water Information Program	95,675	81,079	14,596
Total Expenditures	<u>1,313,214</u>	<u>1,608,810</u>	<u>(295,596)</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ 596,509</u>	<u>\$ 220,313</u>	<u>\$ 376,196</u>

The District's revenue increased in 2018 from tax revenue generated by the District's .407 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 decreased in 2018 mainly due to decreased aid and assistance to other organizations for water management and development.

## **Basic Financial Statements**

**Southwestern Water Conservation District**  
**Statement of Net Position**  
**December 31, 2018**

<b>Assets</b>	<b>Governmental Activities</b>
Cash	\$ 961,316
Investments	1,835,693
Deferred property taxes receivable	1,555,900
Receivable from other governmental entities	23,464
Prepaid insurance	24,126
Capital assets, net of accumulated depreciation	<u>6,445</u>
Total assets	<u>\$ 4,406,944</u>
<b>Liabilities</b>	
Accounts payable	\$ 153,045
Accrued expenses	<u>24,290</u>
Total liabilities	<u>177,335</u>
<b>Deferred Inflows of Resources</b>	
Property tax revenue	<u>1,555,900</u>
Total deferred inflows of resources	<u>1,555,900</u>
<b>Net Position</b>	
Net investment in capital assets	6,445
Restricted - emergency reserves	65,712
Committed grants to be paid	46,277
Unrestricted	<u>2,555,275</u>
Total Net Position	<u>2,673,709</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,406,944</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, 2018**

<b>Functions/Program Activities</b>	<b><u>Expenses</u></b>	<b><u>Net (Expense) Revenue and Changes in Net</u></b>
		<b><u>Governmental Activities</u></b>
Governmental activities:		
General government	\$ 49,180	\$ (49,180)
Administration	400,056	(400,056)
Water conservation activities	770,184	(770,184)
Water Information Program	<u>95,675</u>	<u>(95,675)</u>
Total governmental activities	1,315,095	(1,315,095)
<b>General revenues:</b>		
Taxes		
Property taxes		1,489,858
Specific ownership taxes		143,400
Interest and penalties		44,218
Interest income		25,109
Water Information Program		38,265
Cost sharing Animas-La Plata		
Water Conservancy District		69,346
San Juan River Basin - Recovery Implementation Program		50,873
Stream gaging		25,706
Other local sources		<u>22,948</u>
<b>Total general revenues</b>		<u>1,909,723</u>
<b>Change in net position</b>		594,628
<b>Net position - beginning of year</b>		<u>2,079,081</u>
<b>Net position - end of year</b>		<u><u>\$ 2,673,709</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, 2018**

	<b>Total Governmental Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 961,316
Deferred property taxes receivable	1,555,900
Receivable from other government entity	23,464
Investments	1,835,693
Prepaid expenses	24,126
Total assets	<u>\$ 4,400,499</u>
<b>Liabilities</b>	
Accounts payable	\$ 153,045
Accrued expenses	24,290
Total liabilities	<u>177,335</u>
<b>Deferred Inflows of Resources</b>	
Property tax revenue	1,555,900
Total deferred inflows of resources	<u>1,555,900</u>
<b>Fund Balances</b>	
Restricted - emergency reserves	65,712
Assigned - subsequent year's expenditures	2,601,552
Total Fund Balances	<u>2,667,264</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 4,400,499</u>
<b>Reconciliation of Fund Balances to Net Position</b>	
<b>Fund Balances - Total Governmental Funds</b>	\$ 2,667,264
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>(26,214)</u>
<b>Net position of governmental activities</b>	<u>\$ 2,673,709</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, 2018**

	<b>Total</b>
<b>Revenues</b>	
Taxes	
Property taxes	\$ 1,489,858
Specific ownership taxes	143,400
Interest and penalties	44,218
Interest income	25,109
Water Information Program	38,265
Cost sharing Animas-La Plata Water Conservancy District	69,346
San Juan River Basin - Recovery Implementation Program	50,873
Stream gaging	25,706
Other local sources	22,948
Total Revenues	1,909,723
<b>Expenses</b>	
General government	
Board expenses	49,180
Administration	
Personnel	235,845
Other Services	52,010
County treasurers' fees	44,549
Rent	28,454
Dues and subscriptions	21,229
Professional and technical services	8,535
Supplies	6,393
Capital outlay	1,160
Water conservation activities	
Other district support	206,506
Legal	187,948
Stream gaging - Federal	87,799
Weather modification	64,520
Lobbying	52,551
Engineering	35,989
San Juan River Basin - Recovery Implementation Program	98,575
Spring seminar and water festival	23,896
Demonstration CSU farm	10,000
Stream gaging - Colorado	2,400
Water information program	95,675
Total Expenditures	1,313,214
<b>Excess of Expenditures over Revenues</b>	596,509
<b>Fund balances:</b>	
<b>Beginning of the year</b>	2,070,755
<b>End of the year</b>	\$ 2,667,264

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, 2018**

**Net change in fund balance—total governmental funds** \$ 596,509

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

-

Current year depreciation

(1,881)

**Change in net position of governmental activities** **\$ 594,628**

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

# **Southwestern Water Conservation District**

## **Notes to Financial Statements**

### **December 31, 2018**

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#### **1. Definition of Reporting Entity**

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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.

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#### **2. Summary of Significant Accounting Policies**

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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, 2018**

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**2. Summary of Significant Accounting Policies (continued)**

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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 2018.

Budget appropriations lapse at the end of each year.

**Southwestern Water Conservation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2018**

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**2. Summary of Significant Accounting Policies (continued)**

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**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, 2018.

**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, 2018**

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**2. Summary of Significant Accounting Policies (continued)**

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**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, 2018**

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**2. Summary of Significant Accounting Policies (continued)**

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- *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, 2018, \$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.

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**3. Capital Assets**

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	<b>December 31,</b>	<b>Additions</b>	<b>Retirements</b>	<b>December 31,</b>
	<b>2017</b>			<b>2018</b>
Furniture and equipment	\$ 12,754	\$ -	\$ -	\$ 12,754
Office improvements	<u>19,905</u>	<u>-</u>	<u>-</u>	<u>19,905</u>
Total	<u>32,659</u>	<u>-</u>	<u>-</u>	<u>32,659</u>
Less accumulated depreciation:	<u>(24,333)</u>	<u>(1,881)</u>	<u>-</u>	<u>(26,214)</u>
Capital assets, net	<u>\$ 8,326</u>	<u>\$ (1,881)</u>	<u>\$ -</u>	<u>\$ 6,445</u>

Depreciation expense for the year ended December 31, 2018 was \$1,881.

# Southwestern Water Conservation District

## Notes to Financial Statements (continued)

### December 31, 2018

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#### 4. Cash and Investments

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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, 2018, the District's cash deposits had a bank balance of \$1,100,889 and a carrying balance of \$961,316, 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, 2018**

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**4. Cash and Investments (continued)**

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- 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, 2018, the District had the following investments:

ColoTrust	\$ 802,832
Certificates of deposit	<u>1,032,861</u>
Investments	\$ <u>1,835,693</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 & Poors.

**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, 2018.

**Southwestern Water Conservation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2018**

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**4. Cash and Investments (continued)**

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*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.

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**5. Tax, Spending and Debt Limitations**

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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 2018 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 \$65,712.

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**6. Retirement Plan**

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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, 2018, the District contributed \$7,614.

**Southwestern Water Conservation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2018**

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**7. Lease Agreements**

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**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	\$20,865

The District's base rent expense for the lease was \$20,865 in 2018. Total rent expense of \$28,454 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 \$14,226 in 2018.

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**8. Payroll Cost Share Agreement**

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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 \$53,014 for the expenses in 2018.

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**9. Notes Receivable**

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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 2018 was \$664. The outstanding loan balances are as follows:

Bauer Lake Loan	\$16,316.29
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**Southwestern Water Conservation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2018**

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**10. Risk Management**

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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**

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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, 2018**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Taxes			
Property taxes	\$ 1,507,707	\$ 1,489,858	\$ (17,849)
Specific ownership taxes	100,000	143,400	43,400
Interest and penalties	<u>32,000</u>	<u>44,218</u>	<u>12,218</u>
Total tax revenue	<u>1,639,707</u>	<u>1,677,476</u>	<u>37,769</u>
Other revenue			
Interest earned	7,000	24,572	17,572
Loan interest	537	537	-
Miscellaneous	4,000	16,328	12,328
ALP/WIP cost sharing	16,000	16,331	331
ALP cost sharing wages	53,258	53,015	(243)
San Juan River Basin - Recovery Implementation Program	50,873	50,873	-
Water seminar	5,000	6,620	1,620
WIP - participating	28,980	34,050	5,070
WIP - Other	-	4,215	4,215
Stream gaging reimbursement	<u>25,706</u>	<u>25,706</u>	<u>-</u>
Total other revenue	<u>191,354</u>	<u>232,247</u>	<u>40,893</u>
Total revenue	<u>1,831,061</u>	<u>1,909,723</u>	<u>78,662</u>
<b>Expenditures:</b>			
General government			
Board expenses	102,500	49,180	53,320
Administration			
Personnel	243,059	235,845	7,214
Other Services	26,300	52,010	(25,710)
County treasurers' fees	49,191	44,549	4,642
Rent	29,600	28,454	1,146
Dues and subscriptions	22,115	21,229	886
Professional and technical services	10,000	8,535	1,465
Supplies	8,500	6,393	2,107
Water conservation activities			
Aid to water management and development	926,953	183,102	743,851
Other district support	29,000	23,404	5,596
Legal	219,000	187,948	31,052
Stream gaging - Federal	87,800	87,799	1

**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, 2018**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Weather modification	90,000	64,520	25,480
Lobbying	55,500	52,551	2,949
Engineering	70,000	35,989	34,011
San Juan River Basin - Recovery Implementation Program	101,746	98,575	3,171
Spring seminar and water festival	25,500	23,896	1,604
Demonstration CSU farm	10,000	10,000	-
Stream gaging - Colorado	2,600	2,400	200
Water Information Program	81,030	95,675	(14,645)
Total Operating Expenditures	2,190,394	1,312,054	878,340
Other Expenditures			
Capital Outlay	-	1,160	(1,160)
Contingency	500,000	-	500,000
Emergency Reserves	65,712	-	65,712
Total Other Expenditures	565,712	1,160	564,552
Total Expenditures	2,756,106	1,313,214	1,442,892
<b>Excess Revenue Over (Under)</b>			
<b>Expenditures</b>	(925,045)	596,509	1,521,554
<b>Fund Balance—Beginning of year</b>	1,733,959	2,070,755	336,796
<b>Fund Balance—End of Year</b>	\$ 808,914	\$ 2,667,264	\$1,858,350