

Jefferson Conservation District

**Financial Statements
with Independent Auditors' Report**

December 31, 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Jefferson Conservation District

Table of Contents
December 31, 2018

Independent Auditors' Report	1
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Basic Financial Statements

Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows.....	5

<i>Notes to Financial Statements</i>	6
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Supplementary Information

Budgetary Comparison Schedules	11
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Independent Auditors' Report

Board of Supervisors
Jefferson Conservation District
Lakewood, Colorado

We have audited the accompanying financial statements of the Jefferson Conservation District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Jefferson Conservation 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Conservation District as of December 31, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Jefferson Conservation District has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Jefferson Conservation District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Greenwood Village, Colorado
August 19, 2019

Hick & Company, PC



Basic Financial Statements

Jefferson Conservation District
Statement of Net Position
December 31, 2018

Assets

Cash	\$ 465,056
Accounts Receivable	28,023
Grants Receivable	118,393
Prepaid Expenses	<u>761</u>
 Total Assets	 \$ <u><u>612,233</u></u>

Liabilities and Net Position

Liabilities

Accounts Payable	\$ 22,298
Accrued Liabilities	<u>13,525</u>
 Total Liabilities	 <u>35,823</u>

Net Position

Restricted for Emergencies	32,000
Unrestricted	<u>544,410</u>
 Total Net Position	 <u>576,410</u>
 Total Liabilities and Net Position	 \$ <u><u>612,233</u></u>

Jefferson Conservation District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

Operating Revenues

Charges for Services	\$ 509,660
Grants	434,061
Donations	128
Miscellaneous	<u>10,125</u>
 Total Operating Revenues	 <u>953,974</u>

Operating Expenses

General Administration	307,711
Contractor Services	769,514
Supplies	14,434
Governing Board and Elections	352
Training	<u>4,617</u>
 Total Operating Expenses	 <u>1,096,628</u>

Change in Net Position

(142,654)

Net Position, *Beginning of year*

719,064

Net Position, *End of year*

\$ 576,410

Jefferson Conservation District
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows From Operating Activities

Cash Received from Charges for Services	\$ 525,713
Cash Received from Grants	547,504
Cash Received from Donations	128
Cash Received from Other Sources	10,125
Cash Paid to Employees	(270,644)
Cash Payments to Suppliers	<u>(967,791)</u>
Net Cash Provided (Used) by Operating Activities	(154,965)

Cash, Beginning of year	<u>620,021</u>
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Cash, End of year	<u><u>\$ 465,056</u></u>
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**Reconciliation of Change in Net Position to
Net Cash Provided (Used) by Operating Activities**

Change in Net Position	\$ (142,654)
Adjustments to Reconcile Change in Net Position to Net Cash Provided (Used) by Operating Activities	
Changes in Assets and Liabilities	
Accounts Receivable	16,053
Grants Receivable	113,443
Prepays	(761)
Accounts Payable	(144,181)
Accrued Liabilities	<u>3,135</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (154,965)</u></u>

Jefferson Conservation District

Notes to Financial Statements

December 31, 2018

Note 1: Summary of Significant Accounting Policies

The Jefferson Conservation District (the District) was formed to provide conservation services and technical assistance to landowners. These services are financed by fees assessed on landowners that implement conservation practices such as forest stand improvement and wildfire mitigation. The District operates within Jefferson, Clear Creek, and Gilpin Counties in Colorado.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the District.

Based on the application of this criteria, the District does not include additional organizations in its reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses an enterprise fund to account for its operations. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where a fee is charged to external users for goods or services.

The 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 the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for a specific purpose, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Jefferson Conservation District

Notes to Financial Statements

December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position

Receivables - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets - Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful lives, as follows:

Equipment	5 years
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Compensated Absences - District employees are allowed to accumulate unused annual leave to a maximum of 80 hours. Upon termination of employment from the District, an employee will be compensated for all accrued annual leave. These compensated absences are recognized as a liability in the financial statements when earned.

These compensated absences are recognized as expenditures when due in the governmental funds. A long-term liability has been reported in the financials statements for the accrued compensated absences, which are expected to be liquidated with revenues of the General Fund.

Net Position - Net position is restricted when constraints placed on the use of resources are externally imposed.

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; and natural disasters. The District maintains commercial insurance for these risks of loss.

Jefferson Conservation District

Notes to Financial Statements

December 31, 2018

Note 2: Stewardship, Compliance and Accountability

Budgets

Budgets are required by State statutes and are adopted on a non-GAAP budgetary basis. Capital outlay is budgeted as an expense and depreciation is not budgeted. The District follows these procedures to establish the budgetary information reflected in the financial statements:

- Prior to December 31, an annual budget and appropriation resolution is adopted by the Board of Supervisors in accordance with State statutes.
- Public hearings are conducted to obtain citizen comments.
- Expenditures may not legally exceed appropriations. Revisions that alter the total appropriations must be approved by the Board of Supervisors.
- All appropriations lapse at year end.

Note 3: Cash and Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2018, the District had bank deposits of \$215,206 collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Jefferson Conservation District

Notes to Financial Statements

December 31, 2018

Note 3: Cash and Investments (Continued)

Investments (Continued)

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - Except for corporate securities, State statutes do not limit the amount the District may invest in any single investment or issuer.

The District had no investments at December 31, 2018.

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended December 31, 2018.

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/18</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ -	\$ 13,525	\$ -	\$ 13,525	\$ 13,525

Note 5: Pension Plan

Deferred Compensation Plan

Effective October 1, 2017, the District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457(b). The plan is available to all employees and permits them to defer a portion of their compensation until future years. The Board of Supervisors determines the District's contributions to the plan. The District currently matches employee contributions to a maximum of 3% of each employee's compensation. During the year ended December 31, 2018, the District contributed \$5,721 to the plan. The plan is administered by the Lincoln Financial Group, and all plan assets are held in trust for the exclusive benefit of the participants.

Jefferson Conservation District

Notes to Financial Statements

December 31, 2018

Note 6: Commitments and Contingencies

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the District has established a reserve for emergencies representing 3% of qualifying expenditures. At December 31, 2018, the reserve was reported as restricted net position in the financial statements, in the amount of \$32,000.

Claims and Judgements

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At December 31, 2018, certain grant expenses have not been audited, but the District believes that subsequent audits will not have a material effect on the overall financial position of the District.

Supplementary Information

Jefferson Conservation District
 Budgetary Comparison Schedules
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for Services	\$ 646,593	\$ 646,593	\$ 509,660	\$ (136,933)
Grants	619,910	619,910	434,061	(185,849)
Donations	3,500	3,500	128	(3,372)
Miscellaneous	20,500	20,500	10,125	(10,375)
Total Revenues	1,290,503	1,290,503	953,974	(336,529)
Expenses				
General Administration	355,410	355,410	307,711	47,699
Contractor Services	847,710	847,710	769,514	78,196
Supplies	19,750	19,750	14,434	5,316
Governing Board and Elections	600	600	352	248
Training	5,000	5,000	4,617	383
Equipment	20,000	20,000	-	20,000
Total Expenses	1,248,470	1,248,470	1,096,628	151,842
Change in Net Position	42,033	42,033	(142,654)	(184,687)
Net Position, Beginning of year	1,157,559	1,157,559	719,064	(438,495)
Net Position, End of year	\$ 1,199,592	\$ 1,199,592	\$ 576,410	\$ (623,182)