

**FOUNTAIN CREEK WATERSHED, FLOOD
CONTROL AND GREENWAY DISTRICT**

FINANCIAL STATEMENTS

December 31, 2019



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fountain Creek Watershed, Flood Control
and Greenway District
El Paso and Pueblo Counties, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fountain Creek Watershed, Flood Control and Greenway District (the "District") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fountain Creek Watershed, Flood Control and Greenway District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 District'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 District'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 reasonable basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fountain Creek Watershed, Flood Control and Greenway District as of December 31, 2019, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i - v, and the budgetary comparison schedules on pages 19 - 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying supplementary information 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 supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Logan and Associates, LLC

Aurora, Colorado
March 19, 2020

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY DISTRICT

Management's Discussion and Analysis December 31, 2019

Management of the Fountain Creek Watershed, Flood Control and Greenway District ("District") offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. The focus of the information contained herein is on the primary government.

Financial Highlights

- The District's assets exceeded liabilities at the close of the fiscal year by \$22,405,372 (net position). Of this amount \$22,390,972 (unrestricted net position) may be used to meet the District's obligations.
- The District's total net position decreased by \$47,572.
- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$176,867, an increase of \$2,836 from the prior year.
- As of the close of the current fiscal year, the District's business funds reported an ending net position of \$22,228,505, a decrease of \$50,408 from the prior year.
- The District has no debt.
- The District has no capital assets.

Overview of Financial Statements

This discussion and analysis is intended as an introduction to the District's financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition, to the basic financial statements, also provided is required supplementary information and other supplementary information.

Government-wide financial statements

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

The focus of the Statement of Net Position (the "unrestricted net position") is designed to be similar to a bottom line for the District and its governmental and business-type activities. This statement reports all of the governmental fund's current financial resources (short-term spendable resources) with capital assets and long term obligations. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information illustrating how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities reflected the District's basic services, including planning, design and construction, land use review, and education. Grants, contributions and fees for service finance the majority of these services.

The business-type activities reflect private sector operations, which include design and construction of water activity facilities (e.g., erosion control, flood control and stream channel capacity development) and development of drainage criteria standards, where fees for service typically cover all or most of the related costs.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for the same functions as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on financial position and change in financial position, not on income determination, and use the flow of current financial resources measurement focus and the modified accrual (when they are “measurable and available”). The District considers all revenue available if they are collected within sixty days following the year end. Expenditures are recorded when the related fund liability is incurred.

The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The District maintains one *proprietary fund*. This fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its water activity services.

The *notes to the basic financial statements* provide additional information that is essential to a full understanding of the data provided by the government-wide financial statements.

Supplementary information, in addition to the basic financial statements and accompanying notes, is presented in the form of certain other supplementary information.

Government-wide financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$22,405,372.

Of the District’s net position, over 99.99% is unrestricted and may be used to meet the District’s ongoing financial obligations. These are net assets that are not restricted by external requirements nor invested in capital assets.

The following reflects the District's Net Position.

	Government Activities		Business-type Activities		Total	
	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019
ASSETS						
Cash	\$144,031	\$169,617	\$7,279,955	\$7,320,178	\$7,423,986	\$7,489,795
Investments			\$15,086,537	\$15,565,627	\$15,086,537	\$15,565,627
Accounts Receivable	16,380	7,250			\$16,380	\$7,250
Due From Other Funds	23,504				\$23,504	
TOTAL ASSETS	183,915	176,867	22,366,492	22,885,805	\$22,550,407	\$23,062,672
LIABILITIES						
Accounts Payable	9,884		64,075	657,300	\$73,959	\$657,300
Due To other Funds			23,504		\$23,504	
TOTAL LIABILITIES	9,884	0	87,579	657,300	\$97,463	\$657,300
NET POSITION						
Restricted for Emergencies	2,000	14,400			\$2,000	\$14,400
Unrestricted	172,031	162,467	22,278,913	22,228,505	\$22,450,944	\$22,390,972
TOTAL NET POSITION	\$174,031	\$176,867	\$22,278,913	\$22,228,505	\$22,452,944	\$22,405,372

The following reflects the District's Changes in Net Position.

	Government Activities		Business-type Activities		Total	
	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019
REVENUES (\$)						
GENERAL REVENUES						
General Government						
Intergovernmental	590	199,408			590	199,408
Investment Income	418	749	259,545	538,482	259,963	539,231
Gain (Loss) on Investments			-29,255		-29,255	
Investment Fees			-53,391	-55,814	-53,391	-55,814
Interest Income						
Other		1,750				1,750
PROGRAM REVENUES						
Grants	62,239	187,359			62,239	187,359
Operating Grants/Contributions			11,873,016	10,574,361	11,873,016	10,574,361
TOTAL REVENUE	63,247	389,266	12,049,915	11,057,029	12,113,162	11,446,295
EXPENDITURES (\$)						
General Government	27,584	33,691			27,584	33,691
Administrative and General			77,698	76,737	77,698	76,737
Engineering				3,322		3,322
Projects						
WARSSS Assessment						
Needs Assessment	39,103				39,103	
Barr Farm Phase I Restoration			288,100	6,399,424	288,100	6,399,424
Barr Farm Phase II Restoration Project				2,657,171		2,657,171
Pinon Bridge			176,374	1,547,837	176,374	1,547,837
Masciantonio Bank Restoration			308,645		308,645	
Highway 47 Bank Restoration			5,965,306	936	5,965,306	936
Pueblo Channel Project	26,765	120,109	28,171	170,689	54,936	290,798
Public Outreach Project		152,696				152,696
Coridor Greenway Master Plan		19,934				19,934
Floodplain Management Study		60,000		77,002		137,002
Overton Road Project				174,319		174,319
TOTAL EXPENDITURES	93,452	386,430	6,844,294	11,107,437	6,937,746	11,493,867
INCREASE/(DECREASE) IN NET POSITION (\$)	-30,205	2,836	5,205,621	-50,408	5,175,416	-47,572

Business-type activities decreased the District's net position by \$50,408 for the year ended December 31, 2019. Key elements of the decrease are as follows:

- The fourth payment of five annual payments by Colorado Springs Utilities required by the Pueblo County Southern Delivery System 1041 Permit in the amount of \$10,574,361.
- Total project expenditures increased to \$11,027,378 attributed to an increased level of project activity creating a net operating loss of \$533,076 offset by an investment income of \$482,688 resulting in a net loss of \$50,408.

Intergovernmental revenues are grants and other revenues received from the District's Represented Public Bodies (local governments) who are members of the District. Fees include amounts collected from land use applications. Grants include revenues received from local, state and federal governments. Interest income reflects revenues from investment activities.

Governmental Activities increased the District's net position by \$2,836. Key elements are as follows:

- Increased revenue from grant activities.

Financial Analysis of the Government Funds

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

Governmental funds

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

As of December 31, 2019, the District's governmental funds reported an ending fund balances of \$176,867, an increase of \$2,836 from the prior year. The District does not have any fund balance due to assignments and commitments.

Proprietary fund. The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The net position of the Water Activity Enterprise amounted to \$22,228,505, a decrease of 50,408 over the prior fiscal year.

Significant factors for the Water Activity Enterprise fund:

- The fourth payment of five annual payments by Colorado Springs Utilities required by the Pueblo County Southern Delivery System 1041 Permit in the amount of \$10,574,361.
- Projects had expenditures of \$11,027,378.

General Fund Budgetary Highlights

There were no amendments to the 2019 Budget.

Capital Asset Administration

The District has no capital assets.

Debt Administration

The District has no debt.

Economic Factors and Next Year's Budget

The 2020 budget represents an attempt to maintain both core services and a sufficient fund balance. Increasing reserves is a large priority for the foreseeable future as the current reserves are not sufficient for the District's needs and the District has not yet asked the voters of the District to approve a property tax. The following factors were considered in compiling the 2020 budget.

- Most governmental revenue items were budgeted at a slight increase over the last year.
- Most governmental expenditures have been budgeted close to the last year as the District tries to build governmental reserves.
- Business-related revenue items were budgeted at a slight increase over the last year.
- Business-related expenditures were budgeted lower than last year to reflect a decrease in start-up of larger project design and construction activities.

It is the hope of the Board of Directors of the District and the Executive Director that 2020 will improve over 2019.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Fountain Creek Watershed, Flood Control and Greenway District, P.O. Box 26373, Colorado Springs, CO 80936-6373.

BASIC FINANCIAL STATEMENTS

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

STATEMENT OF NET POSITION
December 31, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 169,617	\$ 7,320,178	\$ 7,489,795
Investments	-	15,565,627	15,565,627
Grants Receivable	7,250	-	7,250
TOTAL ASSETS	176,867	22,885,805	23,062,672
LIABILITIES			
Accounts Payable	-	657,300	657,300
TOTAL LIABILITIES	-	657,300	657,300
NET POSITION			
Restricted for Emergencies	14,400	-	14,400
Unrestricted	162,467	22,228,505	22,390,972
TOTAL NET POSITION	\$ 176,867	\$ 22,228,505	\$ 22,405,372

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		TOTALS
		OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 33,691	\$ -	\$ (33,691)	\$ -	\$ (33,691)
Pueblo Channel Project	120,109	120,109	-	-	-
Public Outreach Project	152,696	-	(152,696)	-	(152,696)
Corridor Greenway Master Plan	19,934	7,250	(12,684)	-	(12,684)
Floodplain Management Study	60,000	60,000	-	-	-
Total Governmental Activities	386,430	187,359	(199,071)	-	(199,071)
Business-Type Activities					
Water Activity Enterprise	11,163,251	10,574,361	-	(588,890)	(588,890)
Total Primary Government	<u>\$ 11,549,681</u>	<u>\$ 10,761,720</u>	(199,071)	(588,890)	(787,961)
GENERAL REVENUES					
			199,408	-	199,408
			749	538,482	539,231
			1,750	-	1,750
			<u>201,907</u>	<u>538,482</u>	<u>740,389</u>
			2,836	(50,408)	(47,572)
			<u>174,031</u>	<u>22,278,913</u>	<u>22,452,944</u>
			<u>\$ 176,867</u>	<u>\$ 22,228,505</u>	<u>\$ 22,405,372</u>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
December 31, 2019

ASSETS	
Cash	\$ 169,617
Grants Receivable	<u>7,250</u>
TOTAL ASSETS	<u>\$ 176,867</u>
FUND BALANCES	
Restricted for Emergencies	14,400
Unassigned	<u>162,467</u>
TOTAL FUND BALANCES	<u>176,867</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 176,867</u>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND - GENERAL FUND
Year Ended December 31, 2019

REVENUES	
Intergovernmental	\$ 199,408
Grants	187,359
Net Investment Income	749
Miscellaneous	1,750
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TOTAL REVENUES	389,266
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EXPENDITURES	
General Government	33,691
Pueblo Channel Project	120,109
Public Outreach Project	152,696
Corridor Greenway Master Plan	19,934
Floodplain Management Study	60,000
	<hr/>
TOTAL EXPENDITURES	386,430
	<hr/>
NET CHANGE IN FUND BALANCES	2,836
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FUND BALANCES, Beginning	174,031
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FUND BALANCES, Ending	\$ 176,867
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The accompanying notes are an integral part of the financial statements.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE - WATER ACTIVITY ENTERPRISE
December 31, 2019

ASSETS	
Current Assets	
Cash	\$ 7,320,178
Investments	<u>15,565,627</u>
TOTAL ASSETS	<u>22,885,805</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>657,300</u>
TOTAL LIABILITIES	<u>657,300</u>
NET POSITION	
Unreserved	<u>22,228,505</u>
TOTAL NET POSITION	<u><u>\$ 22,228,505</u></u>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2019

OPERATING REVENUES	
Utility Enterprise Grants	
Monetary Mitigation Fund	\$ 10,574,361
TOTAL OPERATING REVENUES	<u>10,574,361</u>
OPERATING EXPENSES	
Administrative and General	76,737
Engineering	3,322
Projects	
Highway 47 Bank Restoration	936
Barr Farm Phase I Restoration Project	6,399,424
Barr Farm Phase I Restoration Project	2,657,171
Pinon Bridge Project	1,547,837
Pueblo Channel Project	170,689
Overton Road Project	174,319
Flood Plain Management Study	77,002
TOTAL OPERATING EXPENSES	<u>11,107,437</u>
NET OPERATING LOSS	(533,076)
NON-OPERATING REVENUE (EXPENSES)	
Net Investment Income	538,482
Investment Fees	(55,814)
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>482,668</u>
NET LOSS	(50,408)
NET POSITION, Beginning	<u>22,278,913</u>
NET POSITION, Ending	<u><u>\$ 22,228,505</u></u>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2019
Increase (Decrease) in Cash

	<u>WATER ACTIVITY ENTERPRISE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Others	\$ 10,574,361
Cash Paid to Suppliers for Goods and Services	<u>(10,514,212)</u>
Net Cash Provided by Operating Activities	<u>60,149</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(310,641)
Interest Income	314,219
Paid to Other Fund	<u>(23,504)</u>
Net Cash (Used) by Investing Activities	<u>(19,926)</u>
 Net Increase in Cash	 40,223
 CASH, Beginning	 <u>7,279,955</u>
 CASH, Ending	 <u><u>\$ 7,320,178</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	<u>\$ (533,076)</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Changes in Assets and Liabilities	
Accounts Payable	593,225
Total Adjustments	<u>593,225</u>
Net Cash Provided by Operating Activities	<u><u>\$ 60,149</u></u>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fountain Creek Watershed, Flood Control and Greenway District (the "District") was formed on April 30, 2009 by an amendment to Title 32 of the Colorado Revised Statutes (C.R.S.) under the provisions of Colorado Senate Bill 09-141. The District area is all of El Paso and Pueblo Counties (C.R.S. 32.11.5-202). Included in the District is the 927 square miles in El Paso and Pueblo Counties (known as the Fountain Creek Watershed Management Area (C.R.S. 32-11.5-103(18)), extending south from Palmer Divide to the Arkansas River, and approximately twenty miles east of the City of Colorado Springs with Pikes Peak to the west.

The purpose of the District is to provide management, administration and funding for capital improvements in order to improve drainage, mitigate flooding, erosion and sedimentation issues; address water quality and quantity issues in the Fountain Creek Watershed. In addition, the District is authorized to fund the acquisition and protection of open space and develop public recreational opportunities including parks, trails and open space within its boundaries. The District will have land use authority in the 100 year floodplain in El Paso and Pueblo Counties between the City of Fountain and the City of Pueblo. In addition, the District can provide input to the local government entities on land use applications that may have direct or indirect impacts on the watershed. During 2015 the District established the Fountain Creek Watershed Water Activity Enterprise Fund for the purpose of providing watershed, flood control and greenway services including but not limited to construction, operation, repair and replacement of water projects and facilities as defined in C.R.S. Section 32-45.1-102(5).

The District is governed by a nine-member Board of Directors consisting of representatives from El Paso and Pueblo Counties; Cities of Colorado Springs, Fountain and Pueblo; small municipalities in El Paso and Pueblo Counties, the Lower Arkansas Valley Water Conservation District and the Citizens Advisory Group.

The accounting policies of the District conform to generally accepted accounting principles 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. Following is a summary of the more significant policies.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of including additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of this criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by grants and intergovernmental revenues, are reported separately from *business-type activities*, which rely to significant extent on fees, grants and charges for support

The statement of net position reports all financial, capital and debt resources of the District. The difference between assets plus deferred outflows, and liabilities plus deferred inflows of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental revenues, taxes and other items not properly included among program revenues are reported instead as general revenues.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and used. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both "measurable and available". Revenues are considered to be "available" when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year, except for expenditure driven grants as defined in the following paragraph.

Intergovernmental revenues, grants, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. Grant and similar revenues are recorded as revenues when all eligibility requirements are met, including any time requirements. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Proprietary 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 a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses,

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
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NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

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

The District reports the following major governmental fund in the fund financial statements:

General Fund is the District's primary operating fund that accounts for all financial resources of the District, except those required to be accounted for in another fund.

The District reports the following major proprietary fund in the fund financial statements:

Water Activity Enterprise Fund accounts for the activities of the District funded by local area utility enterprises for purposes of management, research, development and construction for the flood control project in the watershed area.

Assets, Liabilities and Net Position/Fund Balances

Accounts Receivable – Accounts receivable are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Net Position – In the government-wide and proprietary fund financial statements, net position is restricted when constraints placed on the net position are externally imposed.

- Restricted Net Position – this classification includes liquid assets which have third party limitations on their use.
- Unrestricted Net Position – this classification includes assets that do not have any third party limitation on their use.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
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NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District’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 – This classification includes amounts that are constrained by the District’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 changed than those imposed on committed amounts.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The District has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available, the District uses restricted fund balance first followed by committed, assigned and unassigned.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2019 through March 19, 2020, the date of these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: CASH AND INVESTMENTS

At December 31, 2019, the District reported cash and investments as follows:

Cash	\$ 7,489,795
Investments	<u>15,565,627</u>
Total	<u>\$ 23,055,422</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. 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, 2019, the District had bank deposits totaling \$7,673,490 of which \$435,553 were insured by FDIC, and \$7,237,937 were collateralized with securities held by the financial institution's agent but not in their name.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The District has not adopted a formal investment policy and therefore follows State statutes regarding 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
- Certain Corporate Obligations
- 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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. U.S. Government securities explicitly or implicitly guaranteed by the U.S. Government are not considered to have credit risk exposure, including U.S. Treasury Bills, U.S. Treasury Notes, Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA).

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization ("NRSROs"). The Federated Treasury Obligations Fund (FTOF) invests exclusively in US Treasury Obligations and repurchase agreements fully collateralized by US Treasury Obligations. The FTOF records its investments at net asset value and the District records its investment in FTOF using the net asset value method.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period. The fund is rated AAAM by Standard and Poor's and Aaa-mf by Moody's.

As of December 31, 2019, the District had the following investments:

<u>Investment Type</u>	Standards & Poors Rating	<u>Maturities (in Years)</u>		
		<u>1 or Less</u>	<u>1 to 5</u>	<u>Total</u>
U.S. Treasury Notes	N/A	\$ 3,809,457	\$ 6,828,304	\$ 10,637,761
U.S. Agency Securities	AA+	299,970	300,963	600,933
Corporate Obligations	AA+	499,550	513,150	1,012,700
Corporate Obligations	AA-	-	507,585	507,585
Corporate Obligations	AA	1,002,005	205,048	1,207,053
Corporate Obligations	AAA	1,001,317	-	1,001,317
Money Market Fund	AAAm	598,278	-	598,278
Totals		<u>\$ 7,210,577</u>	<u>\$ 8,355,050</u>	<u>\$ 15,565,627</u>

Interest Rate Risk – State statutes generally limit investments to an original maturity of five year unless the governing board authorizes the investment for a period in excess of five years. At the June 2017 Board meeting the Board of Directors approved investments in U.S. Government Instrumentalities with maturities greater than three (3) years.

Fair Value of Investments – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs used to measure fair value: *Level 1*: Quoted (unadjusted) prices in active markets or an identical asset or liability at the measurement date; *Level 2*: The market approach technique is utilized using quoted prices of securities with similar characteristics or independent asset pricing services; *Level 3*: Unobservable inputs for an asset or liability.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

<u>Investment by Fair Value</u>	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Notes	\$10,637,761	\$10,637,761	\$ -	\$ -
U.S. Agency Securities	600,933	-	600,933	-
Corporate Obligations	<u>3,728,655</u>	<u>-</u>	<u>3,728,655</u>	<u>-</u>
Totals	\$14,967,349	\$10,637,761	\$ 4,329,588	\$ -
 <u>Investment by Net Asset</u>				
<u>Value</u>				
Money Market Fund	<u>598,278</u>			
Total	<u>\$15,565,627</u>			

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the concentration of the District’s investment in a single issuer. State statutes do not limit the amount the Town may invest in one issuer. At December 31, 2019, the District had the following investments in any one investment type greater than 5% of the District’s total investments:

<u>Investment Type</u>	<u>Percentage of Total Investments</u>
U.S. Treasury Notes	68%

NOTE 4: RISK MANAGEMENT

Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The District plans to provide for or restore the economic damages of those losses through risk transfer. The District participates in the Colorado Special Districts Property and Liability Pool (the “Pool”).

The purposes of the Pool are to provide members defined liability and property coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, and their officers.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
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NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4: RISK MANAGEMENT (Continued)

Public Entity Risk Pool (Continued)

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs.

All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

NOTE 5: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

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 government. The Amendment is complex and subject to judicial interpretation.

At the District's creation, the Colorado Senate Bill 09-141 (SB 09-141) authorized the District to levy property taxes up to 5 mills for the purpose funding reserves, repayment of bonds issued, maintenance, operations and improvement of facilities, subject to election requirements and limitations as defined in SB 09-141.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District has made certain interpretations of the Amendment's language in order to determine compliance. The District's management believes the Water Activity Enterprise's operations qualify for the "enterprise" exclusion allowed by the Amendment. The District believes it is in compliance with the requirements of the Amendment.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
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NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment (Continued)

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2019, the emergency reserve of \$14,400 was reported as a restriction of net position/fund balance in the Governmental Activities/General Fund.

Construction and Engineering Commitments

The District entered into several construction and engineering contracts. The commitments at December 31, 2019 amount to approximately \$6,450,000 for construction and \$1,102,000 for engineering. The projects for which these contracts were entered into include Barr Farm Phase II Channel Restoration, Overton Road Bank Stabilization and Pueblo Channel Restoration at 13th Street.

REQUIRED SUPPLEMENTARY INFORMATION

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2019

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Intergovernmental	\$ 410,000	\$ 199,408	\$ (210,592)
Grants	-	187,359	187,359
Net Investment Income	300	749	449
Miscellaneous	212,090	1,750	(210,340)
TOTAL REVENUES	622,390	389,266	(233,124)
EXPENDITURES			
General Government			
Advertising and Posting	150	150	-
Accounting and Audit	5,500	2,750	2,750
Administrative Support	10,000	520	9,480
Board Meetings	200	-	200
District Management	84,000	16,800	67,200
Dues and Subscriptions	1,238	260	978
Engineering	50,000	4,741	45,259
Insurance	3,000	653	2,347
Land Use Review	3,000	3,450	(450)
Legal	100,000	800	99,200
Office Supplies	5,175	593	4,582
Travel	280	2,524	(2,244)
Telephone	320	91	229
Miscellaneous	1,000	359	641
Total General Government	263,863	33,691	230,172
Pueblo Channel Project	150,000	120,109	29,891
Public Outreach Project	-	152,696	(152,696)
Corridor Greenway Master Plan	-	19,934	(19,934)
Floodplain Management Study	-	60,000	(60,000)
Other Projects	210,000	-	210,000
TOTAL EXPENDITURES	623,863	386,430	237,433
NET CHANGE IN FUND BALANCE	(1,473)	2,836	4,309
FUND BALANCE, Beginning	178,959	174,031	(4,928)
FUND BALANCE, Ending	\$ 177,486	\$ 176,867	\$ (619)

See the accompanying Independent Auditor's Report.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2019

NOTE 1: BUDGETARY INFORMATION

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In September, District management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

SUPPLEMENTARY INFORMATION

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,
AND GREENWAY DISTRICT

BUDGETARY COMPARISON SCHEDULE
WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2019

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Grants and Contributions			
Monetary Mitigation Fund	\$ 10,400,000	\$ 10,574,361	\$ 174,361
Net Investment Income	3,600	538,482	534,882
	10,403,600	11,112,843	709,243
EXPENDITURES			
Administration and General	167,040	132,551	34,489
Engineering	45,000	3,322	41,678
Projects	16,400,000	-	16,400,000
Highway 47 Bank Restoration	-	936	(936)
Barr Farm Phase I Restoration Project	-	6,399,424	(6,399,424)
Barr Farm Phase II Restoration Project	-	2,657,171	(2,657,171)
Pinon Bridge Project	-	1,547,837	(1,547,837)
Pueblo Channel Project	-	170,689	(170,689)
Overton Road Project	-	174,319	(174,319)
Flood Plain Management Study	-	77,002	(77,002)
	16,612,040	11,163,251	5,448,789
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,208,440)	(50,408)	6,158,032
FUNDS AVAILABLE, Beginning	22,792,861	22,278,913	(513,948)
FUNDS AVAILABLE, Ending	\$ 16,584,421	\$ 22,228,505	\$ 5,644,084
Funds Available is Computed as Follows:			
Current Assets		\$ 22,885,805	
Current Liabilities		(657,300)	
		\$ 22,228,505	

See the accompanying Independent Auditors' Report.