

Animas-La Plata Water Conservancy District

Annual Financial Report


December 31, 2020


Table of Contents

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	I-II
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	III
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	1
Statement of Activities	2
Governmental Fund Balance Sheet and Reconciliation of Fund Balances to Net Position	3
Governmental Fund Revenues, Expenditures and Changes in Fund Balances	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in the Fund Balances of Governmental Funds to the statement of Activities	5
Notes to Basic Financial Statements	6-16
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule—General Fund	17



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Report of Independent Certified Public Accountants

To the Board of Directors
Animas-La Plata Water Conservancy District

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of Animas-La Plata Water Conservancy District (the District) as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Animas-La Plata Water Conservancy District, as of December 31, 2020 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Animas-La Plata Water Conservancy District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

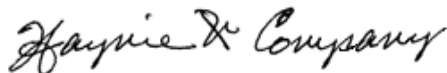
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Animas-La Plata Water Conservancy District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Animas-La Plata Water Conservancy District's ability to continue as a going concern for a reasonable period of time.

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

May 25, 2021

Animas-La Plata Water Conservancy District Management's Discussion and Analysis (Unaudited) December 31, 2020

As management of the Animas-La Plata Water Conservancy 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, 2020.

This discussion and analysis is intended to be an easily readable analysis of the Animas-La Plata Water Conservancy 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. Animas-La Plata Water Conservancy District is a proprietary fund entity whose primary function for several years was to plan for and oversee the development of the Animas La Plata Project. This project has been completed. It is now coordinating the acquisition and transfer of project water allocations. The financial statements of Animas-La Plata Water Conservancy 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, 2020. 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, 2020.

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.

Budgetary Highlights

The budgetary comparison schedule for the District is included in other Supplementary information.

Statement of Net Position:

	2020	2019	Change
Assets			
Cash and Cash Equivalents	\$ 228,704	\$ 371,214	\$ (142,510)
Prepaid Expenses	2,489	2,462	27
Property Taxes Receivable	309,736	301,305	8,431
Capital Assets	<u>1,936,749</u>	<u>1,624,940</u>	<u>311,809</u>
Total Assets	<u><u>2,477,678</u></u>	<u><u>2,299,921</u></u>	<u><u>177,757</u></u>
Liabilities			
Accounts Payable	<u>225</u>	<u>1,501</u>	<u>(1,276)</u>
Total Liabilities	<u><u>225</u></u>	<u><u>1,501</u></u>	<u><u>(1,276)</u></u>
Deferred Inflow of Resources			
Property Tax Revenue	<u>309,736</u>	<u>301,305</u>	<u>8,431</u>
Total Deferred Inflow of Resources	<u><u>309,736</u></u>	<u><u>301,305</u></u>	<u><u>8,431</u></u>
Net Position			
Net Investment in Capital Assets	1,936,749	1,624,940	311,809
Restricted for Emergency Reserves	6,835	6,835	-
Unrestricted	<u>224,133</u>	<u>365,340</u>	<u>(141,207)</u>
Total Net Position	<u><u>2,167,717</u></u>	<u><u>1,997,115</u></u>	<u><u>170,602</u></u>
Total Liabilities, Deferred Inflow of Resources & Net Position			
	<u><u>\$ 2,477,678</u></u>	<u><u>\$ 2,299,921</u></u>	<u><u>\$ 177,757</u></u>

During the year ended December 31, 2020, total assets increased by \$177,757. This increase resulted primarily from additional cash generated from positive operating results from which water allocations of \$386,809 were purchased, less the sale of allocations of \$75,000, for a net increase in capital assets of \$311,809.

Statement of Activities:

Revenues	2020	2019	Change
Taxes			
Property Taxes	\$ 300,018	\$ 288,129	\$ 11,889
Specific Ownership Taxes	30,841	31,005	(164)
Interest & Penalties	573	671	(98)
Interest Income	2,172	4,806	(2,634)
Administrative Fees from Sale of Water Allocations	2,441	7,294	(4,853)
Gain on Sale of Water Allocations	6,375	18,148	(11,773)
Other Local Sources	186	700	(514)
Total Revenues	<u>342,606</u>	<u>350,753</u>	<u>(8,147)</u>
Expenses			
General Government			
Board Expenses	6,600	11,527	(4,927)
Administration			
Personnel	-	30,036	(30,036)
Other Services	4,444	5,263	(819)
County Treasurer Fees	8,930	8,577	353
Rent	5,520	11,337	(5,817)
Dues & Memberships	2,214	2,952	(738)
Professional & Technical Services	40,744	33,030	7,714
Supplies	252	2,745	(2,493)
Share of Animas-La Plata Project Operating Costs	17,050	15,159	1,891
Water Conservation and Assistance Activities	86,250	58,937	27,313
Total Expenditures	<u>172,004</u>	<u>179,563</u>	<u>(7,559)</u>
Excess of Revenues Over Expenditures	<u>\$ 170,602</u>	<u>\$ 171,190</u>	<u>\$ (588)</u>

For the year ended December 31, 2020, revenues decreased primarily because of a decline in water allocation sales resulting in decreases in the gain in sale of water allocation and related administrative fees of 65%. This decline was partially offset by an increase in property tax revenue of 4%.

Operating expenses declined approximately 4% for 2020 due primarily from a decrease in personnel and rent costs resulting from the termination of the cost share agreement with Southwestern Water Conservation District. Offsetting this decrease was a 46% increase in water conservation and assistance activities that vary from year to year depending on the number and amount of grants submitted to and approved by the District. Additionally, professional and technical services expense increased 23% resulting from contracting for certain technical and administrative services.

Financial Contact

The District's financial statements are designed to present citizens with a general overview of the District's finances and demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact Secretary-Treasurer, Gene Bradley, 954 E. 2nd Avenue, Suite 102, Durango, Colorado 81301 or 970-247-2659.

Basic Financial Statements

Animas-La Plata Water Conservancy District
Statement of Net Position
December 31, 2020

Assets	Governmental Activities
Cash and cash equivalents	\$ 228,704
Other assets	2,489
Property taxes receivable	309,736
Capital assets, net	<u>1,936,749</u>
Total assets	<u><u>\$ 2,477,678</u></u>
Liabilities	
Accounts payable	<u>\$ 225</u>
Deferred Inflow of Resources	
Property tax revenue	<u>309,736</u>
Total deferred inflow of resources	<u>309,736</u>
Net Position	
Net investment in capital assets	1,936,749
Restricted - emergency reserves	5,160
Unrestricted	<u>225,808</u>
Total Net Position	<u>2,167,717</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u><u>\$ 2,477,678</u></u>

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

Animas-La Plata Water Conservancy District
Statement of Activities
For the Year Ended December 31, 2020

<u>Functions/Program Activities</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Governmental Activities</u>
Governmental activities:		
General government	\$ 6,600	\$ (6,600)
Administration	62,104	(62,104)
Animas-La Plata Project	17,050	(17,050)
Water conservation and assistance activities	86,250	(86,250)
Total governmental activities	172,004	(172,004)
 General revenues:		
Taxes		
Property taxes		300,018
Specific ownership taxes		30,841
Interest and penalties		573
Interest income		2,172
Administrative fee from sale of water allocations		2,441
Gain on sale of water allocations		6,375
Other local sources		186
Total general revenues		342,606
Change in net position		170,602
Net position - beginning of year		1,997,115
Net position - end of year		\$ 2,167,717

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

Animas-La Plata Water Conservancy District
Governmental Fund Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2020

	Total Governmental Funds
Assets	
Cash and cash equivalents	\$ 228,704
Prepaid expense	2,029
Property taxes receivable	309,736
Other assets	460
Total assets	<u>\$ 540,929</u>
Liabilities	
Accounts payable	\$ 225
Total liabilities	<u>225</u>
Deferred Inflow of Resources	
Property tax revenue	<u>309,736</u>
Total deferred inflow of resources	<u>309,736</u>
Fund Balances	
Restricted for emergency reserves	5,160
Assigned - subsequent year's expenditures	<u>225,808</u>
Total Fund Balances	<u>230,968</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 540,929</u>
 Reconciliation of Fund Balance to Net Position	
Fund Balances - Total Governmental Funds	\$ 230,968
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	<u>1,936,749</u>
Net position of governmental activities	<u>\$ 2,167,717</u>

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

Animas-La Plata Water Conservancy District
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2020

	Total
Revenues	
Taxes	
Property taxes	\$ 300,018
Specific ownership taxes	30,841
Interest and penalties	573
Interest income	2,172
Sale of project water allocations	75,000
Administrative fee from sale of water allocations	2,441
Gain on sale of water allocations	6,375
Other local sources	186
Total Revenues	417,606
Expenses	
General government	
Board expenses	6,600
Administration	
Other services	4,444
County treasurer's fees	8,930
Rent	5,520
Dues and subscriptions	2,214
Professional and technical services	40,744
Supplies	252
District's share of Animas - La Plata Project operating costs	17,050
Capital outlay - purchase of water allocations	386,809
Water conservation and assistance activities	86,250
Total Expenditures	558,813
Excess of Revenues over Expenditures	(141,207)
Fund balances:	
Beginning of the year	372,175
End of the year	\$ 230,968

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

Animas-La Plata Water Conservancy 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, 2020

Net change in fund balance—total governmental funds	\$ (141,207)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays, such as purchases of water depletions, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives. Additionally, governmental funds report capital sales, such as sales of water depletions, as revenues. However, in the statement of activities, sales of water depletion are recorded as a reduction to the corresponding asset sold with a resulting gain or loss.

Purchase of water allocations	386,809
Sale of project water allocations	<u>(75,000)</u>
Change in net position of governmental activities	<u><u>\$ 170,602</u></u>

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

Animas-La Plata Water Conservancy District

Notes to Financial Statements

December 31, 2020

1. Definition of Reporting Entity

Animas-La Plata Water Conservancy District (the District), operates under the statutes governing conservancy districts of the State of Colorado. Animas-La Plata Water Conservancy District (the District) was organized in 1981 to acquire and appropriate water of the Animas and La Plata rivers and their tributaries by means of “works” as defined in the “Water Conservancy Act” and to divert, store, transport, conserve and stabilize all of these supplies of water for beneficial uses within and for the District. The District operates under a Board of Directors, which is appointed by the Water Court Judge.

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.

Animas-La Plata Water Conservancy District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

2. Summary of Significant Accounting Policies

This summary of the Animas-La Plata Water Conservancy 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Animas-La Plata Water Conservancy District

Notes to Financial Statements (continued)

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

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

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

The District has one governmental fund:

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

Budgets

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

On or before October 15, the District staff 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 2020.

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.

Animas-La Plata Water Conservancy District

Notes to Financial Statements (continued)

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include water allocation, equipment, and land, 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, as applicable. The District uses the straight line depreciation method over the calculated useful life of applicable assets. Due to the nature of the capital assets currently recorded as non-depreciating assets, the District has not recorded any depreciation expense in the current year.

The District has implemented GASB 51, which changes the way intangible assets are treated and amortized on the financial statements. The District's intangible assets are water allocations (depletions). Based on GASB 51, intangible assets with an indefinite life should not be amortized unless their useful life is subsequently determined to be no longer indefinite due to a change in circumstances. The District has determined that its water allocations (depletions) have an indefinite life and will not be amortized.

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.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Animas-La Plata Water Conservancy District

Notes to Financial Statements (continued)

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition - Property Taxes

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

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 reported 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.

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

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

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 evaluated all events or transactions that occurred after December 31, 2020 through May 25, 2021, the date the financial statements were available to be issued.

3. Capital Assets

	December 31, 2019	Additions	Sales	December 31, 2020
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Equipment (not in use)	15,351	-	-	15,351
Water allocations	<u>1,109,589</u>	<u>386,809</u>	<u>(75,000)</u>	<u>1,421,398</u>
Capital assets, net	<u>\$ 1,624,940</u>	<u>\$ 386,809</u>	<u>\$ (75,000)</u>	<u>\$ 1,936,749</u>

There was no depreciation expense for the year ended December 31, 2020. See note 2 above.

Animas-La Plata Water Conservancy District

Notes to Financial Statements (continued)

December 31, 2020

4. Cash and Cash Equivalents

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, 2020, the District's cash deposits had a bank balance of \$61,931 and carrying balance of \$61,731, all of which is FDIC insured in 2020.

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.

Animas-La Plata Water Conservancy District

Notes to Financial Statements (continued)

December 31, 2020

4. Cash and Cash Equivalents (continued)

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
- 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, 2020, the District had the following cash equivalents with terms less than 3 months and that are fully liquid:

ColoTrust	<u>\$ 166,973</u>
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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. Colostrust is rated AAAM by Standard & Poors. COLOTRUST records its investments at fair value and the District records its investment in COLORTRUST at net asset value as determined by fair value.

Animas-La Plata Water Conservancy District

Notes to Financial Statements (continued)

December 31, 2020

5. Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District has made certain interpretations of the amendment's language in order to determine its compliance.

The District has established an emergency reserve of 3% of its 2020 fiscal spending in accordance with the provisions of the Amendment. Restricted net assets and fund balances consist of amounts restricted for emergency purposes by the Tabor Amendment in the amount of \$5,160.

6. Lease Agreement

Effective August 1, 2020 the District entered into a lease agreement for office space for 12 months that expires July 31, 2021. Monthly rent under the lease is \$460, or \$5,520 annually. The District has the option to extend the lease for additional terms. Total rent expense under this agreement in 2020 was \$5,520.

Future commitments are as follows:

Year Ended December 31,	
2021	\$ 3,220
Thereafter	-
	<u>\$ 3,220</u>

7. Risk Management

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

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2020

7. Risk Management (continued)

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, many state and local governments instituted restrictions that substantially limited the operations of non-essential businesses and the activities of individuals. While some of these restrictions have been eased, there is still significant uncertainty around the extent and duration of those still in place and the possibility for restrictions to be increased again in the future. The extent to which the pandemic will impact the District's financial results in the coming periods depends on future developments, including where there are additional outbreaks of COVID-19 and the actions taken to contain or address the virus. However, the District believes it will be able to continue operations under current governmental guidelines while mitigating the impact as much as possible to minimize losses.

8. Commitments and Water Allocation (Depletion)

The District entered into a cost sharing agreement for the Animas-La Plata Project in 1988. That agreement required the District to pay \$75,000 toward cost sharing of the project with payments of \$5,000 per year, commencing the first year the United States Secretary of the Interior expends funds for the project. As part of the Colorado Ute Indian Water Rights Settlement Act Amendment of 2000, the District was allocated 2,600 acre feet of water depletions from the project in exchange for payment of a portion of the construction costs for the project. The amount of payment required to be paid by the District to the United States in 2000 was \$7,256,750.

The District contracted with the Colorado Water Resources and Power Development Authority to pay the required amount to the United States, and the District assigned its rights to the 2,600 acre feet of water depletions to the Authority.

In April 2005, the District contracted with the Authority to purchase back 700 acre feet of water depletions for their estimated purchase price of \$1,800,000. The District made a down payment of \$90,453, with the balance to be due at closing, when water was available from the project. In December 2012, the District renegotiated its contract and purchased 105 acre feet of water depletions from the Authority in the amount of \$269,126 of which \$112,935 of that amount was the initial down payment and \$156,191 was an additional cash payment. In September 2020, the District purchased an additional 151-acre feet of water depletions which completed its contractual obligation to purchase 700-acre feet of water from the Authority.

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2020

8. Commitments and Water Allocation (Depletion) (continued)

Including and subsequent to this water allocation purchase contract, the District purchased and sold water depletions as follows:

<u>Description</u>	<u>Year</u>	<u>Acre feet of depletions</u>	<u>Value</u>
Allocation contract	2012	105	\$ 269,126
Purchase of water depletions	2013	32	103,662
Purchase of water depletions	2014	35	114,996
Purchase of water depletions	2015	36	111,976
Purchase of water depletions	2016	36	116,017
Water depletions sold	2017	(50)	(150,000)
Purchase of water depletions	2017	101	280,832
Water depletions sold	2018	(25)	(75,000)
Purchase of water depletions	2018	71	198,903
Water depletions sold	2019	(25)	(75,000)
Purchase of water depletions	2019	72	197,930
Water depletions sold	2019	(50)	(150,000)
Purchase of water depletions	2019	61	166,147
Water depletions sold	2020	(25)	(75,000)
Purchase of water depletions	2020	151	386,809
		525	\$ 1,421,398

The Animas-La Plata Project began operations in 2013, and the District is responsible for its portion of the costs to operate and maintain the project. The District's portion is based on the amount of acre feet of water depletions that the District has purchased, net of sales. The amount of these costs is determined on an annual basis and was \$17,050 in 2020.

9. Joint Venture

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

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2020

9. Joint Ventures (continued)

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

Animas-La Plata Water Conservancy District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2020

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property taxes	\$ 301,305	\$ 300,018	\$ (1,287)
Specific ownership taxes	25,000	30,841	5,841
Interest and penalties	600	573	(27)
Total tax revenue	<u>326,905</u>	<u>331,432</u>	<u>4,527</u>
Other revenue			
Interest earned	4,000	2,172	(1,828)
Sale of water allocations	75,000	75,000	-
Administrative fee for sale of water allocations	2,441	2,441	-
Gain on sale of water allocations	6,375	6,375	-
Miscellaneous	100	186	86
Total other revenue	<u>87,916</u>	<u>86,174</u>	<u>(1,742)</u>
Total revenue	<u>414,821</u>	<u>417,606</u>	<u>2,785</u>
Expenditures:			
General government			
Board expenses	12,500	6,600	5,900
Administration			
Other services and expenses	4,850	4,444	406
County treasurers' fees	9,807	8,930	877
Rent	5,520	5,520	-
Dues and subscriptions	2,890	2,214	676
Professional and technical services	64,200	40,744	23,456
Supplies	600	252	348
District's share of Animas-La Plata Project operating expenses	18,000	17,050	950
Water conservation and assistance activities	<u>63,500</u>	<u>86,250</u>	<u>(22,750)</u>
Total operating expenditures	<u>181,867</u>	<u>172,004</u>	<u>9,863</u>
Other Expenditures			
Capital outlay - water allocation	379,410	386,809	(7,399)
Water infrastructure	25,000	-	25,000
Contingency	20,000	-	20,000
Emergency reserves	6,206	-	6,206
Total other expenditures	<u>430,616</u>	<u>386,809</u>	<u>43,807</u>
Total expenditures	<u>612,483</u>	<u>558,813</u>	<u>53,670</u>
Excess Revenue Over (Under) Expenditures	<u>(197,662)</u>	<u>(141,207)</u>	<u>56,455</u>
Net change	(197,662)	(141,207)	56,455
Fund Balance—Beginning of year	<u>351,939</u>	<u>372,175</u>	<u>20,236</u>
Fund Balance—End of Year	<u>\$ 154,277</u>	<u>\$ 230,968</u>	<u>\$ 76,691</u>