

Southwestern Water Conservation 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 Funds 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 Fund Balances of Governmental Funds to the Statement of Activities	5
Notes to Basic Financial Statements	6-15
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule—General Fund	16-17



1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

Report of Independent Certified Public Accountants

To the Board of Directors
Southwestern Water Conservation District

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of Southwestern Water Conservation 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 Southwestern Water Conservation 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 Southwestern Water Conservation 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.

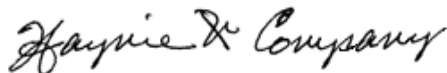
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Southwestern Water Conservation 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 Southwestern Water Conservation 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
June 10, 2021

Southwestern Water Conservation District
Management's Discussion and Analysis (Unaudited)
December 31, 2020

As management of the Southwestern Water Conservation District, we offer readers of the District's financial statements, this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020.

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

Report Layout

Besides this Management's Discussion and Analysis (MD&A), the report consists of financial statements, the notes to the financial statements, and other supplementary information. Southwestern Water Conservation District was created by the Colorado General Assembly in 1941. The purpose of the District is to protect, conserve, use and develop the water resources of the Southwestern basin for the welfare of the District and to safeguard, for Colorado, all waters of the basin to which the state is entitled. The District is made up of nine counties. They include Archuleta, Dolores, La Plata, Montezuma, San Juan, San Miguel and parts of Hinsdale, Mineral and Montrose. The financial statements of Southwestern Water Conservation District consist of two primary statements: the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

The Statement of Net Position reflects the cumulative financial condition of the District on December 31, 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.

Statement of Net Position:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets			
Cash and Cash Equivalents	\$ 394,568	\$ 518,056	\$ (123,488)
Deferred Property Taxes Receivable	1,588,850	1,620,102	(31,252)
Receivable from other Governmental Entities	5,569	13,564	(7,995)
Investments	3,586,880	2,722,978	863,902
Prepaid Insurance	13,082	50,674	(37,592)
Capital Assets, Net of Accumulated Depreciation	<u>16,272</u>	<u>4,464</u>	<u>11,808</u>
Total Assets	5,605,221	4,929,838	675,383
Liabilities			
Accounts Payable	235,495	85,747	149,748
Accrued Expenses	<u>7,992</u>	<u>17,257</u>	<u>(9,265)</u>
Total Liabilities	243,487	103,004	140,483
Deferred Inflow of Resources			
Property Tax Revenue	<u>1,588,850</u>	<u>1,620,102</u>	<u>(31,252)</u>
Total Deferred Inflow of Resources	1,588,850	1,620,102	(31,252)
Net Position			
Net Investment in Capital Assets	16,272	4,464	11,808
Restricted - Emergency Reserves	84,424	67,757	16,667
Committed grants to be paid	91,294	73,694	17,600
Unrestricted	<u>3,580,894</u>	<u>3,060,842</u>	<u>520,052</u>
Total Net Position	3,772,884	3,206,757	566,127
Total Liabilities, Deferred Inflow of Resources & Net Position	<u><u>\$ 5,605,221</u></u>	<u><u>\$ 4,929,863</u></u>	<u><u>\$ 675,358</u></u>

During the year ended December 31, 2020, assets increased by \$675,383, mainly due to the increases in investments, from excess cash and investment earnings. The District collected tax revenue generated by its mill levy of .407.

Statement of Activities:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
Taxes			
Property Taxes Receivable	\$ 1,593,812	\$ 1,539,766	\$ 54,046
Specific Ownership Taxes	147,681	148,587	(906)
Interest & Penalties	36,781	43,078	(6,297)
Interest Income	62,367	41,789	20,578
Water Information Program	36,493	44,152	(7,659)
Cost Sharing Animas La Plata Water Conservancy District	-	39,382	(39,382)
San Juan River Basin - Recovery Implementation Program	50,873	50,873	-
Stream Gaging	18,613	25,706	(7,093)
Other Local Sources	4,878	16,987	(12,109)
Total Revenues	<u>1,951,498</u>	<u>1,950,320</u>	<u>1,178</u>
Expenses			
General Government			
Board Expenses	46,016	52,743	(6,727)
Administration			
Personnel	157,666	174,554	(16,888)
County Treasurers' Fees	46,660	45,302	1,358
Other Services	16,387	39,027	(22,640)
Rent	29,476	29,063	413
Dues & Memberships	22,879	19,300	3,579
Supplies	6,425	8,929	(2,504)
Professional & Technical Services	58,125	8,228	49,897
Capital Outlay	18,712	5,699	13,013
Water Conservation Activities			
Legal	258,123	268,851	(10,728)
Other District Support	251,220	228,827	22,393
San Juan River Basin - Recovery Implementation Program	101,147	102,130	(983)
Engineering	42,691	90,273	(47,582)
Stream Gaging - Federal	97,111	88,315	8,796
Lobbying	50,708	51,469	(761)
Weather Modification	63,200	50,320	12,880
Spring Seminar and Water Festival	1,538	23,376	(21,838)
Water Bank Working Group	11,000	17,000	(6,000)
Demonstration CSU Farm	10,000	10,000	-
Water Leaders Scholarship	3,500	3,250	250
Stream Gaging - Colorado	2,401	2,400	1
Water Education/Data Collection	105,621	98,241	7,380
Total Expenditures	<u>1,400,606</u>	<u>1,417,297</u>	<u>(16,691)</u>
Excess of Revenues Over Expenditures	<u>\$ 550,892</u>	<u>\$ 533,023</u>	<u>\$ 17,869</u>

The District's revenue increased slightly in 2020 from tax revenue generated by the District's .407 mill levy. The District previously shared office and personnel expenses with the Animas La Plata Water Conservancy District and received compensation toward these expenses for a portion of 2019. On October 15, 2019, the cost share between these two Districts was discontinued.

The District's expenses decreased in 2020 mainly due to decreased engineering costs and personnel costs as a result of the executive director position being vacant for half of the year. In addition, the Spring Seminar and Water Festival had to be canceled due to guideline restrictions as a result of the COVID-19 pandemic.

Southwestern Water Conservation District
Statement of Net Position
December 31, 2020

Assets	Governmental Activities
Cash	\$ 394,568
Investments	3,586,880
Deferred property taxes receivable	1,588,850
Receivable from other governmental entities	5,569
Prepaid insurance	13,082
Capital assets, net of accumulated depreciation	16,272
Total assets	\$ 5,605,221
 Liabilities	
Accounts payable	\$ 235,495
Accrued expenses	7,992
Total liabilities	243,487
 Deferred Inflows of Resources	
Property tax revenue	1,588,850
Total deferred inflows of resources	1,588,850
 Net Position	
Net investment in capital assets	16,272
Restricted - emergency reserves	84,424
Unrestricted	3,672,188
Total Net Position	3,772,884
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 5,605,221

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

Southwestern Water Conservation District
Statement of Activities
For the Year Ended December 31, 2020

Functions/Program Activities	Expenses	Net (Expense) Revenue and Changes in Net Position
		Governmental Activities
Governmental activities:		
General government	\$ 46,016	\$ (46,016)
Administration	341,070	(341,070)
Water conservation activities	889,139	(889,139)
Water Information Program	109,121	(109,121)
Total governmental activities	1,385,346	(1,385,346)
General revenues:		
Taxes		
Property taxes		1,593,812
Specific ownership taxes		147,681
Interest and penalties		36,781
Interest income		62,367
Water Information Program		36,400
Cost sharing Animas-La Plata		
Water Conservancy District		93
San Juan River Basin - Recovery Implementation Program		50,873
Stream gaging		18,613
Other local sources		4,878
Total general revenues		1,951,498
Change in net position		566,152
Net position - beginning of year		3,206,732
Net position - end of year		\$ 3,772,884

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

Southwestern Water Conservation District
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2020

	Total Governmental Funds
Assets	
Cash and cash equivalents	\$ 394,568
Deferred property taxes receivable	1,588,850
Receivable from other government entity	5,569
Investments	3,586,880
Prepaid expenses	13,082
Total assets	\$ 5,588,949
Liabilities	
Accounts payable	\$ 235,495
Accrued expenses	7,992
Total liabilities	243,487
Deferred Inflows of Resources	
Property tax revenue	1,588,850
Total deferred inflows of resources	1,588,850
Fund Balances	
Restricted - emergency reserves	84,424
Committed grants to be paid	91,294
Assigned to:	
SWCD Water Defense	1,760,000
SWCD Water Development	1,140,000
Water Information Program	122,000
SJRBRIP Water Development Committee	21,000
Unassigned	537,894
Total Fund Balances	3,756,612
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,588,949
Reconciliation of Fund Balances to Net Position	
Fund Balances - Total Governmental Funds	\$ 3,756,612
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	47,919
Less accumulated depreciation	(31,647)
	16,272
Net position of governmental activities	\$ 3,772,884

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

Southwestern Water Conservation District
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2020

	Total
Revenues	
Taxes	
Property taxes	\$ 1,593,812
Specific ownership taxes	147,681
Interest and penalties	36,781
Interest income	62,367
Water Information Program	36,400
Cost sharing Animas-La Plata Water Conservancy District	93
San Juan River Basin - Recovery Implementation Program	50,873
Stream gaging	18,613
Other local sources	4,878
Total Revenues	1,951,498
Expenses	
General government	
Board expenses	46,016
Administration	
Personnel	157,666
County treasurers' fees	46,660
Other Services	16,387
Rent	29,476
Dues and subscriptions	22,879
Supplies	6,425
Professional and technical services	58,125
Capital outlay	15,260
Water conservation activities	
Legal	258,123
Other district support	251,220
San Juan River Basin - Recovery Implementation Program	101,147
Engineering	42,691
Stream gaging - Federal	97,111
Lobbying	50,708
Weather modification	63,200
Spring seminar and water festival	1,538
Water Bank Working Group	11,000
Demonstration CSU farm	10,000
Stream gaging - Colorado	2,401
Water information program	109,121
Total Expenditures	1,397,154
Excess of Expenditures over Revenues	554,344
Fund balances:	
Beginning of the year	3,202,268
End of the year	\$ 3,756,612

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

Southwestern Water Conservation District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2020

Net change in fund balance—total governmental funds \$ 554,344

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

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

Current year depreciation (3,452)

Change in net position of governmental activities \$ 566,152

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

Southwestern Water Conservation District

Notes to Financial Statements

December 31, 2020

1. Definition of Reporting Entity

Southwestern Water Conservation District (the District), operates under Colorado statute 37-47, which outlines the District's statutory authority and powers. Southwestern Water Conservation District (the District) was created in 1941 for the protection, conservation, use, and development of the water resources of the San Juan and Dolores Rivers and their principal tributaries. The District is comprised of the counties of San Miguel, Dolores, Montezuma, Archuleta, San Juan, La Plata, and portions of Hinsdale, Mineral, and Montrose counties. The District operates under a Board of Directors form of government and the directors are appointed by County Commissioners of the counties within the District.

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

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

2. Summary of Significant Accounting Policies

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Southwestern Water Conservation District

Notes to Financial Statements (continued)

December 31, 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 manager submits to the Board a proposed budget for the next fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2020.

Budget appropriations lapse at the end of each year.

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.

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Certificates of Deposit

During the year, the District invested in five certificates of deposits, which are listed at fair stated value as of December 31, 2020.

Capital Assets

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

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

Allowance for Uncollectibles

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

Reserves

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

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

Revenue Recognition - Property Taxes

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

Southwestern Water Conservation District

Notes to Financial Statements (continued)

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fund Equity

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

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

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

For the year ended December 31, 2020, \$91,294 of the total fund balance was committed for grant requests approved as of year-end but not yet disbursed.

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

Subsequent Events

The District has evaluated subsequent events through June 10, 2021, the date which the financial statements were available to be issued.

3. Capital Assets

	December 31, 2019	Additions	Retirements	December 31, 2020
Furniture and equipment	\$ 12,754	\$ 15,260	\$ -	\$ 28,014
Office improvements	<u>19,905</u>	<u>-</u>	<u>-</u>	<u>19,905</u>
Total	<u>32,659</u>	<u>15,260</u>	<u>-</u>	<u>47,919</u>
Less accumulated depreciation:	<u>(28,195)</u>	<u>(3,452)</u>	<u>-</u>	<u>(31,647)</u>
Capital assets, net	<u>\$ 4,464</u>	<u>\$ (3,452)</u>	<u>\$ -</u>	<u>\$ 16,272</u>

Depreciation expense for the year ended December 31, 2020 was \$3,452.

4. Cash and Investments

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

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

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2020

4. Cash and Investments (continued)

At various times throughout 2020 the District held cash deposits with balances in excess of FDIC insured amounts.

Investments

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

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

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

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

- Obligations of the United States, certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2020 Fair Value</u>
COLOTRUST	Weighted average under 60 days	\$ 503,349
Certificates of deposit	Terms ranging from 1-3 years	<u>3,083,531</u>
Investments		<u>\$ 3,586,880</u>

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2020

4. Cash and Investments (continued)

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

Certificates of Deposit

During 2017, through First National Bank of Durango, the District invested in a two year CD for \$817,019 and a two year CD for \$200,000, at a rate of 1.55% per annum maturing in December of 2019, with a penalty of 90 days of interest for early withdrawal. During January 2020 the funds were withdrawn and reinvested in various CDs as identified below.

During January 2020, through 1st Southwest Bank, the District invested in a one year CD for \$100,000, at a rate of 2.35% per annum, maturing in January 2021, a one year CD for \$407,500 at a rate of 2.35% per annum maturing in January 2021, and a two year CD for \$1,522,735 at a rate of 2.35% per annum maturing in January 2022.

During July 2020, through 1st Southwest Bank, the District invested in a one year CD for \$500,000, at a rate of 1.10% per annum maturing in July 2021, and a two year CD for \$500,000 at a rate of 1.25% per annum maturing in July 2022.

All CDs are listed at fair stated value as of December 31, 2020, with a total fair market value of \$3,083,531, at year end.

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

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

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2020

4. Cash and Investments (continued)

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

5. Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District has made certain interpretations of the amendment's language in order to determine its compliance. The District has established an emergency reserve of 3% of its 2020 fiscal spending in accordance with the provisions of the Amendment. Restricted net position and fund balances consist of amounts restricted for emergency purposes by the Tabor Amendment in the amount of \$84,424.

6. Retirement Plan

The District has a 457b retirement plan for full-time employees. It is a defined contribution plan and is administered by Lincoln Financial Group. The District will match up to 5% of the employee's annual salary to the plan. The contributions into the Plan are fully vested immediately, foregoing any purpose for forfeitures. The Plan can be amended by the Executive Director. For the year ending December 31, 2020, the District contributed \$5,787.

7. Lease Agreements

Occupancy Lease

The District entered into a four year lease commencing November 1, 2009, and a new five year lease commencing November 1, 2018, for the business office in the West Building, located at 835 E 2nd Avenue in Durango. Lease payments are made monthly with a base amount plus their proportionate share of utilities and property taxes. The following is the schedule of payments for the lease:

Period	Monthly Payment	Annual Payment
November 1, 2019 – October 31, 2020	\$1,803	\$21,636
November 1, 2020 – October 31, 2021	\$1,839	\$22,069
November 1, 2021 – October 31, 2022	\$1,876	\$22,510
November 1, 2022 – October 31, 2023	\$1,913	\$22,960

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2020

7. Lease Agreements (continued)

The District's base rent expense for the lease was \$21,636 in 2020. Total rent expense of \$29,476 included the District's proportionate share of the office's monthly janitorial service, electric, water, sewer, trash, gas charges, storage space, and parking space rentals.

8. Notes Receivable

The District has implemented a program to provide loans to water conservancy districts and other qualified entities in southwest Colorado. Interest is being charged at 2.5 to 4.5%. Interest income received in 2020 was \$275. The outstanding loan balances are as follows:

Bauer Lake Loan	\$ <u>5,569</u>
-----------------	-----------------

9. 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.

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.

10. 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.

Southwestern Water Conservation District
Notes to Financial Statements (continued)
December 31, 2020

10. Joint Venture (continued)

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

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

Required Supplementary Information

Southwestern Water Conservation District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2020

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes			
Property taxes	\$ 1,620,102	\$ 1,593,812	\$ (26,290)
Specific ownership taxes	100,000	147,681	47,681
Interest and penalties	35,500	36,781	1,281
Total tax revenue	<u>1,755,602</u>	<u>1,778,274</u>	<u>22,672</u>
Other revenue			
Interest earned	40,000	62,092	22,092
Loan interest	275	275	-
Miscellaneous	5,000	4,878	(122)
ALP/WIP cost sharing	200	93	(107)
San Juan River Basin - Recovery Implementation Program	50,873	50,873	-
Water seminar	6,000	-	(6,000)
WIP - participating	37,850	36,400	(1,450)
Stream gaging reimbursement	32,481	18,613	(13,868)
Total other revenue	<u>172,679</u>	<u>173,224</u>	<u>545</u>
Total revenue	<u>1,928,281</u>	<u>1,951,498</u>	<u>23,217</u>
Expenditures:			
General government			
Board expenses	105,500	39,282	66,218
Administration			
Personnel	272,629	157,666	114,963
Other Services	41,000	23,121	17,879
County treasurers' fees	52,668	46,660	6,008
Rent	30,796	29,476	1,320
Dues and subscriptions	22,350	22,879	(529)
Professional and technical services	50,000	58,125	(8,125)
Supplies	8,500	6,425	2,075
Water conservation activities			
Aid to water management and development	1,345,694	247,016	1,098,678
Other district support	58,500	15,204	43,296
Legal	240,000	258,123	(18,123)
Stream gaging - Federal	108,500	97,111	11,389
Weather modification	117,000	63,200	53,800
Lobbying	55,500	50,708	4,792
Engineering	70,000	42,691	27,309

Southwestern Water Conservation District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2020

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
San Juan River Basin - Recovery Implementation Program	101,746	101,147	599
Spring seminar and water festival	27,500	1,538	25,962
Demonstration CSU farm	10,000	10,000	-
Stream gaging - Colorado	2,640	2,401	239
Water Information Program	93,595	109,121	(15,526)
Total Operating Expenditures	<u>2,814,118</u>	<u>1,381,894</u>	<u>1,432,224</u>
Other Expenditures			
Capital Outlay	-	15,260	(15,260)
Contingency	96,414	-	96,414
Emergency Reserves	84,424	-	84,424
Total Other Expenditures	<u>180,838</u>	<u>15,260</u>	<u>165,578</u>
Total Expenditures	<u>2,994,956</u>	<u>1,397,154</u>	<u>1,597,802</u>
Excess Revenue Over (Under)			
Expenditures	<u>(1,066,675)</u>	<u>554,344</u>	<u>1,621,019</u>
Fund Balance—Beginning of year	<u>3,116,867</u>	<u>3,202,268</u>	<u>85,401</u>
Fund Balance—End of Year	<u><u>\$ 2,050,192</u></u>	<u><u>\$ 3,756,612</u></u>	<u><u>\$1,706,420</u></u>