

**UPPER YAMPA WATER
CONSERVANCY DISTRICT**

Financial Statements
And
Supplemental Information
With
Independent Audit Report

December 31, 2020

UPPER YAMPA WATER CONSERVANCY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Upper Yampa Water Conservancy District
Steamboat Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Upper Yampa Water Conservancy District, as of and for the year ended December 31, 2020, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Upper Yampa Water Conservancy District as of December 31, 2020, and the respective changes in financial position and cash flows for the year then ended in conformity 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is presented for the purpose of additional analysis and are not a required part of the financial statements. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Watson Coon Ryan, LLC

WATSON COON RYAN, LLC
CENTENNIAL, COLORADO

MARCH 24, 2021

UPPER YAMPA WATER CONSERVANCY DISTRICT
Management's Discussion and Analysis
2020

The intent of the Management's Discussion and Analysis is to provide an overview and highlights of the financial and other activities of the Upper Yampa Water Conservancy District (UYWCD) for the year ended on December 31, 2020. UYWCD Board members and readers are encouraged to read this discussion and analysis in conjunction with the accompanying audited financial statements. In addition to the accompanying audit, it provides a report by the General Manager of the activities of the UYWCD in 2020.

Overview of the District's Operations and Economic Factors

The UYWCD, formed in 1966, provides the legal authority to plan and construct water conservation projects in the Yampa River basin. The UYWCD's combined assets represent the largest source of stored water available for water users in the Yampa River Basin managed by a single entity. The Yampa River Basin is largely recognized as the river with the least amount of stored water, by percent of total flow, of all major river basins in the Colorado River system. The UYWCD boundary includes most of Routt County and a small portion of Moffat County. The UYWCD is governed by a Board of nine directors appointed by the Water Court.

Yamcolo (9,621 AF) and Stagecoach (36,439 AF) Reservoirs represent the primary water conservation projects constructed and operated by the UYWCD. The Stillwater Ditch is another UYWCD facility and is used to deliver water contracted from the Yamcolo Reservoir and water from other decreed water sources. In addition to the facilities described above, the UYWCD has contracted for 360 AF of water from Steamboat Lake to enable an augmentation plan with water contracts for out of priority depletions in the Elk River Valley.

The 2019/20 water year was characterized by near average snowpack and very low summer precipitation. The combined effect of these hydrologic conditions resulted in reduced hydro-power generation at Stagecoach Dam. Water use out of the reservoirs was extensive. Furthermore, an increase in water storage contracts at UYWCD reservoirs led to an increase in water storage revenues.

Significant activities for the 2020 year included the completion of negotiations of many of the UYWCD's water storage contracts, finalization of a new Strategic Plan and Board Governance Documents, the hiring of a new Business Manager, the retirement of and subsequent new hiring of the UYWCD General Manager, the hiring of a new District Engineer, and temporary logistics and operational modifications due to Covid-19.

Revenues

Property tax revenues from a 1.82 mill levy on the taxable property of the UYWCD generated \$2,564,147, net of \$80,543 of Treasurer Collection Fees.

Overall water sales were \$330,110, \$50,078 above the \$280,032 budgeted. Increased water sale revenues resulted from a one-year contract with the Colorado Water Trust, one-year contracts of Yamcolo Reservoir Enlargement water, and newly executed long-term contracts for Augmentation water.

Hydro-power generation produced a total revenue of \$162,432 for the year, \$37,568 below the \$200,000 budgeted. Hydro-power generation is directly influenced by the magnitude and timing of Yampa River flows into Stagecoach Reservoir. The 2019/20 water year was characterized by near average snowpack and very low summer precipitation. The combined effect of these hydrologic conditions resulted in reduced hydro-

power generation at Stagecoach Dam. Stagecoach Dam Powerhouse maintenance needs also influence hydro-power generation.

Other revenues include those generated by the Stillwater Ditch and Reservoirs Company of \$11,556, interest income of \$124,735, and receipts from a vehicle loss of \$8,591.

Pass through revenues and expenses for the *Upper Yampa River Basin Nutrient and Sediment Study*, and *Infrastructure Improvement Projects*, were received and fully disbursed in 2020.

Expenditures

Operation and Maintenance expenditures, and capital improvements for Stagecoach Dam and Reservoir, Yamcolo Dam and Reservoir, and the Stillwater Ditch continue to improve the condition of UYWCD facilities consistent with current operational standards. Total Operating Expenses for all UYWCD facilities and operations (net of depreciation) were \$1,520,591, \$487,915 below the \$2,008,506 budget

Overview of the Financial Statements

The UYWCD's financial statements comprise of two components:

1. Stand-alone Enterprise fund financial statements,
2. Notes to the financial statements.

This report also contains other supplementary information consisting of a comparison of budget to actual non-US GAAP (U.S. Generally Accepted Accounting Principles) Budgetary basis.

Stand-alone Enterprise fund financial statements:

These financial statements are designed to provide readers with a broad overview of the UYWCD in a manner similar to a private-sector business.

- The statement of net position presents information on all the UYWCD's assets and liabilities with the difference reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the UYWCD is improving or deteriorating.
- The statement of revenues, expenses and changes in net position presents information showing how the UYWCD's net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- The statement of cash flows represents the information on the change in the UYWCD's cash balances during the year segregated into operating, investing, and financing categories.

The assets of the UYWCD exceeded its liabilities on December 31, 2020 by \$43,746,099. Of this amount, \$26,209,958 is invested in capital assets (net of related debt), \$6,209,728 is restricted. While there are no legal restrictions on the unrestricted net position of \$17,064,663, in 2020 the District maintained a net position balance equal to \$752,436 in the Capital Maintenance Reserve, \$4,485,814 in the Emergency Facilities Reserve, \$500,000 for a Routt County Road Contribution and \$11,326,413 to ensure adequate net position is available for future debt payments and the development of capital projects.

Statement of Net Position

	2020	2019
<u>Assets:</u>		
Current and Other Assets	\$20,225,885	\$18,595,573
Net Capital Assets	\$26,209,958	\$26,256,423
Total Assets	\$46,435,843	\$44,851,996
<u>Liabilities:</u>		
Current liabilities	\$168,869	\$86,097
Deferred Inflows	\$2,520,875	\$2,496,565
Total liabilities	\$2,689,744	\$2,582,662
<u>Net position:</u>		
Invested in capital,		
Net Investment in Capital Assets	\$26,209,958	\$26,256,423
Restricted Net Position	\$6,209,728	\$524,734
Capital Projects Development Fund	\$11,326,413	\$15,488,177
Total net position	\$43,746,099	\$42,269,334

Statement of Revenues, Expenses, and Changes in Fund Net Position

	2020	2019
Revenues		
Operating Revenues	\$504,098	\$801,110
Other Income (Expense)	\$2,697,473	\$2,691,871
Total Revenues	\$3,201,571	\$3,492,981
Expenses		
Operating Expenses	\$1,724,806	\$1,672,602
Change in Net Position	\$1,476,765	\$1,820,379
Net Position - Beginning	\$42,269,334	\$40,448,955
Net Position - Ending	\$43,746,099	\$42,269,334

Capital Assets

	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
Capital assets not being depreciated:				
Stagecoach				
Land and water rights	\$ 4,933,709	\$ -	\$ -	\$ 4,933,709
Silver Creek:				
Land	\$ 255,797	\$ -	\$ -	\$ 255,797
Total capital assets not being depreciated	<u>\$ 5,189,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,189,506</u>
Capital assets being depreciated:				
Stagecoach				
Land Improvements	\$ 1,410,619	\$ 15,462	\$ -	\$ 1,426,082
Dam structure and equipment	\$ 12,508,415	\$ 3,093	\$ -	\$ 12,511,507
Hydroelectric building and equipment	\$ 2,444,105	\$ 15,762	\$ -	\$ 2,459,867
Park building and improvements	\$ 1,273,474	\$ -	\$ -	\$ 1,273,474
Yamcolo				
Dam structure and equipment	\$ 6,805,409	\$ 34,491	\$ -	\$ 6,839,900
Stillwater Ditch	\$ 530,653	\$ 72,066	\$ -	\$ 602,719
Equipment, vehicles and other	\$ 272,117	\$ 29,121	\$ (28,256)	\$ 272,982
Total capital assets being depreciated	<u>\$ 25,244,792</u>	<u>\$ 169,994</u>	<u>\$ (28,256)</u>	<u>\$ 25,386,530</u>
Less: Accumulated depreciation	<u>\$ (4,177,875)</u>	<u>\$(204,215)</u>	<u>\$ 16,012</u>	<u>\$ (4,366,078)</u>
Net Capital Assets	<u><u>\$ 26,256,423</u></u>	<u><u>\$ (34,221)</u></u>	<u><u>\$ (12,244)</u></u>	<u><u>\$ 26,209,958</u></u>

Budgetary Comparison

The UYWCD budgets for expenses on a non-GAAP basis whereby expenses include debt principal payments and capital outlay and exclude non-cash expenses of depreciation and amortization. In 2020 there were three revenue budgetary differences. Water sales revenues were slightly higher than budgeted due to new one-year term contracts. Power sales and interest revenues were lower than budgeted, resulting from current year hydrologic and economic conditions, respectively.

Capital project expenditures were all within budgeted amounts.
Budgetary changes have not adversely affected the financial stability of the UYWCD.

The variations between the budgeted income and expenses enumerated above will have no deleterious effect on the liquidity of the UYWCD or its future obligations and services.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Net Position
December 31, 2020

Assets:

Current assets:

Cash and investments	\$ 15,807,448
Accounts receivable	23,694
Property taxes receivable	2,520,875
Certificate of deposit	1,844,392
Prepaid expenses	29,476

Total current assets	20,225,885
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Noncurrent assets:

Capital assets, net of accumulated depreciation	26,209,958
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Total assets	\$ 46,435,843
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Liabilities:

Current liabilities:

Accounts payable	159,440
Accrued expenses payable	9,429

Total current liabilities	168,869
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Deferred inflows of resources:

Deferred property tax revenues	2,520,875
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Net position:

Net Investment in capital assets	26,209,958
Restricted for:	
Wetlands mitigation	419,734
Emergencies	51,744
Unrestricted	17,064,663

Total net position	\$ 43,746,099
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The accompanying notes are an integral part of this financial statement.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenses, and Change in Net Position
For the year ended December 31, 2020

Operating Revenues:	
Water sales	\$ 330,110
Power revenues	162,432
Other income	11,556
	<hr/>
Total operating revenues	504,098
Operating Expenses:	
Facilities:	
Stagecoach reservoir - power generation	255,077
Stagecoach reservoir - water storage	323,221
Yamcolo reservoir	146,271
Stillwater ditch and reservoir	42,083
Administration	266,615
Board of directors	125,671
External affairs	106,310
Finance	103,206
Legal	157,532
Planning	53,869
Grants, scholarships and public information	144,951
	<hr/>
Total operating expenses	1,724,806
Operating loss	<u>(1,220,708)</u>
Non-Operating Revenues:	
Property taxes, net of collection fees	2,564,147
Gain on disposal of assets	8,591
Interest income	124,735
	<hr/>
Net non-operating revenues	2,697,473
Change in net position	1,476,765
Net position, beginning of year	<u>42,269,334</u>
Net position, end of year	<u><u>43,746,099</u></u>

The accompanying notes are an integral part of this financial statement.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Cash Flows
For the year ended December 31, 2020

Cash Flows From Operating Activities:	
Cash received from customers	\$ 502,064
Cash payments to suppliers of goods or services	(1,433,875)
	(931,811)
Cash Flows From Non-Capital Financing Activities:	
Property taxes, net of collection fees	2,564,147
	2,564,147
Cash Flows From Capital Financing Activities:	
Proceeds from the sale of capital assets	20,835
Purchase of capital assets	(169,995)
	(149,160)
Cash Flows From Investing Activities:	
Interest received	124,735
	124,735
Net cash provided by investing activities	124,735
Net change in cash and cash equivalents	1,607,911
Cash and cash equivalents, beginning of year	14,199,537
Cash and cash equivalents, end of year	\$ 15,807,448
Reconciliation of Operating Income (Loss) to	
Net Cash Provided by Activities:	
Operating loss	\$ (1,220,708)
Adjustments to reconcile operating income (loss) to	
net cash provided (used) by operating activities:	
Depreciation	204,215
Decrease (increase) in:	
Accounts receivable	(2,034)
Prepaid expenses	3,944
(Decrease) increase in:	
Accounts payable, net of capital amounts	79,060
Accrued expenses payable	3,712
	(931,811)
Net cash provided (used) by operating activities	(931,811)

The accompanying notes are an integral part of this financial statement.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 1: Summary of Significant Accounting Policies

The Upper Yampa Water Conservancy District (the District) was established in 1966 by Colorado Revised Statutes (CRS) Title 37, Article 45 under the “Water Conservancy Act”. The District was formed to provide legal authority to plan and construct water conservation projects in the Yampa Valley of northwest Colorado. The District stores water in two reservoirs, Stagecoach Reservoir and Yamcolo Reservoir, from which water is released to its ultimate users. The Stagecoach dam generates hydroelectric power that is sold to Yampa Valley Electric Association (YVEA). In addition, the Stagecoach Reservoir and dam includes a State recreation area for which the District pays a limited maintenance subsidy to the Colorado Parks and Wildlife.

The District’s financial statements were prepared in accordance with U.S. generally accepted accounting principles for governmental entities (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The District applies the criteria set forth in GASB Codification Section 2100: Defining the Financial Reporting Entity, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents, and the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units.

The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to: fiscal dependency, imposition of will, legal standing, and the primary recipient of services. Based on these criteria, the District has no includable component units. The District is also not included in the financial statements of any other entity.

Basic Financial Statements

As a special purpose government, basic financial statements are presented at the activity level. Activity level financial statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position, the Statement of Change in Fund Net Position, and the Statement of Cash Flows.

As a special purpose government, the District has only one fund, an enterprise/proprietary fund which is also considered its business type activity. The District does not present any other fund or activity information.

Measurement Focus and Basis of Accounting

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

The District operates as an enterprise and the accompanying proprietary fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, this fund is maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

Assets, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The District's investment in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+ fund is measured at net asset value, equal to \$1.00 per share.

Accounts Receivable

Amounts due to the District from water storage and power sales are reported as accounts receivable. The District's management reviews accounts receivable periodically to consider the collectability of the balances. District management believes all accounts receivable to be fully collectible as of December 31, 2020. Therefore, no allowance for uncollectible accounts has been established.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets include land, reservoir and dam structures, hydro-electric plant, buildings and improvements, furniture and fixtures and equipment. Capital assets are defined by the District as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	30 - 40
Furniture, fixtures and equipment	5 - 20

Non-depreciable capital assets of the District include its land, land improvements, reservoirs, and dams.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist solely of unavailable revenues from property taxes.

Net Position

Equity is classified as net position and may be displayed in three components:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets." This net position is available for future operations or distributions.

It is the District's policy to fund operations through the most restricted available equity first.

While the unrestricted net position does not have any legal constraints on its use, the accumulation of these amounts may be necessary to offset significant unforeseen capital repairs and for the development of capital projects that may be necessary in future years. These amounts do not meet the accounting definition to be considered restricted, but the District believes this balance is necessary to ensure adequate reserves are available when the need does arise.

Operating and Non-Operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the District. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer and Moffat County Treasurer collect property taxes and remit collections to the District on a monthly basis.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District's Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District did not adopt any supplemental budget appropriations for the year ended December 31, 2020.

Compliance

The District did not have expenditures in excess of appropriations for the year ended December 31, 2020.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved \$51,744 of the December 31, 2020 fund net position for this purpose.

Management believes that the District qualifies as an enterprise as defined by TABOR. Therefore, the provisions of TABOR are not applicable to the District.

In November 1999, voters passed a referendum that permanently lifted TABOR restrictions on the amount of revenue the District can collect and expend.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Note 3: Detailed Notes on the Fund

Cash and cash equivalents

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, repay the public deposits to the depositing government. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Colorado Revised Statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

COLOTRUST (Colorado Local Government Liquid Asset Trust) and CSAFE (Colorado Surplus Asset Fund Trust) are local government investment vehicles that qualify as 2a7-like investment pools, where the value of each share is maintained at \$1.00. COLOTRUST, CSAFE and the third party investment fund have credit quality ratings of AAA, while cash held by the State Treasurer is not rated for credit quality.

As of December 31, 2020, all of the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

Investments

Credit risk

The District follows Colorado Revised Statutes regarding its investments. Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest which include local government investment pools.

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

<u>Investments:</u>	<u>Fair Value</u>
COLOTRUST (at NAV)	\$ 15,589,869

Custodial and concentration of credit risk

At December 31, 2020, the District had \$15,589,869 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST.

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local state sponsored investment pools. The District invests in two such pools, the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (COLOTRUST) which were both rated AAA by Standards and Poor's. These investments are not categorized because the investments are not evidenced by securities that exist in physical or book entry form. The District also invests excess undesignated cash reserves into certificates of deposits.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Credit risk

The District has adopted a formal investment policy that complies with the Colorado Revised Statutes. The policy specifies investment instruments in which the District may invest including certificates of deposits, and local government investment pools.

Interest rate risk

The District has a formal investment policy that limits investment maturities to five years from the purchase date as a means of managing its exposure to fair value losses arising from increasing interest rates.

Capital Assets

Capital asset activity for the year ended December 31, 2020 is summarized below:

	January 1, 2020 Balance	Additions	Deletions	December 31, 2020 Balance
Capital assets not being depreciated:				
Stagecoach				
Land and water rights	\$4,933,709	-	-	\$4,933,708
Silver Creek				
Land	255,797	-	-	255,797
Capital assets being depreciated:				
Stagecoach				
Land improvements	1,410,619	15,462	-	1,426,083
Dam structure and equipment	12,508,415	3,092	-	12,511,506
Hydroelectric building and equipment	2,444,105	15,762	-	2,459,867
Park building and improvements	1,273,474	-	-	1,273,474
Yamcolo				
Dam structure and equipment	6,805,409	34,491	(283)	6,839,900
Stillwater Ditch	530,653	72,066	-	602,719
Equipment, vehicles and other	272,117	29,121	(27,973)	272,891
Total capital assets	30,434,298	169,994	(28,256)	30,576,036
Less: accumulated depreciation	(4,177,875)	(204,215)	16,012	(4,366,078)
Net capital assets	\$26,256,423	(34,221)	(12,244)	\$26,209,958

Stillwater Ditch Agreement

The District has entered into an Assignment of Stock and Water Delivery Agreement with the shareholders of the Stillwater Ditch and Reservoirs Company (the Company) whereby the shareholders assigned and transferred all shares in the Company to the District in exchange for the District's continued maintenance and repair of the Stillwater Ditch and delivery of water to the shareholders under certain absolute water rights retained by the shareholders.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Restricted Net Position

The United States Army Corps of Engineers (ACOE) issued a permit to the District to raise the height of Stagecoach Reservoir Dam four feet inundating approximately 23.51 acres of jurisdictional wetlands. The permit requires the District to post financial assurances to ensure a high level of confidence that the District will complete the compensatory mitigation required by the permit. The District has appropriated \$419,734 for this purpose as of December 31, 2020. The legislative appropriation will terminate when the compensatory mitigation is completed and accepted by the ACOE.

Note 4: Other Information

Defined Contribution Plan

Certain full-time employees are covered under a 401(a) defined contribution pension plan. Under the terms of the plan, the District contributes at a rate of double the employee's retirement contribution not to exceed 6% of gross pay. Participants become fully vested within 3 years of participation in the plan. The plan can only be amended by the District's board of directors. District contributions to the plan were \$34,468 for the years ended December 31, 2020.

Commitments and Contingencies

State of Colorado

The District has entered into an agreement with the State of Colorado Department of Natural Resources, Division of Parks and Outdoor Recreation for the operation of the recreational facilities at Stagecoach Reservoir. Under the terms of the agreement the District has agreed to make an annual payment of \$35,000 to the State each December 31st through May 1, 2024.

Power Purchase Agreement

The District entered into an agreement on October 30, 2015 to sell exclusively the hydroelectric energy generated by its Stagecoach facility to YVEA. The initial term is through December 31, 2025 and may be extended by either party for an additional 10 year period. The initial sales price is \$0.060 per kWh and is subject to annual adjustment beginning January 1, 2017. The sales price during the year ended December 31, 2020 was \$0.060 per kWh.

Reservoir Agreements

Numerous governments, organizations and individuals have reservoir agreements with the District to purchase water in storage annually from the District. The agreement terms range from 2 to 40 years with the majority of contracts expiring between the years 2019 and 2052.

Contribution to Routt County, Colorado

The District has committed to contribute \$500,000 to Routt County, Colorado for construction costs for the reconstruction improvements to be made to Routt County Road #14 in the future.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

State of Colorado Stagecoach Reservoir Operating Subsidy

The District has entered into a twenty-year lease agreement with the State of Colorado for the State to manage recreational use of District owned assets at Stagecoach Reservoir. The lease period is from May 1, 2004 through May 1, 2024. In exchange for the State managing the recreation areas and completing improvements and replacement of existing recreation facilities pursuant to the Master Plan, the District will annually provide the lessor of \$35,000 or the amount of State funded improvements plus \$10,000 in the form of an operating subsidy to the State. This payment is due by December 31 of each year of the lease. The State is allowed to carryover excess improvement costs annually to meet subsequent years' obligations. The maximum amount that the District is liable for in operating subsidies is \$700,000 over the twenty-year period.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains commercial insurance for these risks by participation in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. The District has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. 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 its members.

Contingencies

The District is involved in several items of pending litigation primarily involving defense of its water rights and opposition of applications for water rights that conflict with those of the District. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on the District's financial position, cash flows, or results of operations.

Subsequent Events

The District has evaluated subsequent events through March 24, 2021, the date these financial statements were available to be issued.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
For the year ended December 31, 2020

	Original and Final Budget	Actual	Variance
Operating Revenues:			
Water sales	\$ 280,032	\$ 330,110	\$ (50,078)
Power revenues	200,000	162,432	37,568
Other income	45,279	11,556	33,723
Total revenues	<u>525,311</u>	<u>504,098</u>	<u>71,291</u>
Operating Expenditures:			
Facilities:			
Stagecoach reservoir - power generation	224,582	255,077	(30,495)
Stagecoach reservoir - water storage	300,537	323,221	(22,684)
Yamcolo reservoir	156,631	146,271	10,360
Stillwater ditch and reservoir	40,834	42,083	(1,249)
Administration	334,465	266,615	67,850
Board of directors	190,684	125,671	65,013
External affairs	121,909	106,310	15,599
Finance	152,813	103,206	49,607
Legal	158,090	157,532	558
Planning	74,572	53,869	20,703
Grants, scholarships and public information	253,390	144,951	108,439
Capital outlay	300,000	169,995	130,005
Total expenditures	<u>2,308,507</u>	<u>1,894,801</u>	<u>413,706</u>
Operating Income (Loss)			
Other Income			
Tax revenue, net of treasurer fee	2,415,915	2,564,147	(148,232)
Gain on disposal of assets	--	8,591	(8,591)
Investment earnings	296,100	124,735	171,365
Change in net position - non-US GAAP basis	<u>928,819</u>	<u>1,306,770</u>	<u>(327,873)</u>
Adjustments to US GAAP basis:			
Capital outlay	--	169,995	
Change in net position - US GAAP basis	<u>928,819</u>	<u>1,476,765</u>	
Net position, beginning of year	<u>14,945,119</u>	<u>42,269,334</u>	
Net position, end of year	<u>15,873,938</u>	<u>43,746,099</u>	