

SOUTHWESTERN WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2021

# SOUTHWESTERN WATER CONSERVATION DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Southwestern Water Conservation District  
Durango, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund, of Southwestern Water Conservation District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Southwestern Water Conservation 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, 2021, 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 Opinions

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 Southwestern Water Conservation 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 opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### 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 opinions. 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 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

*FredrickZink & Associates, PC*

FredrickZink & Associates, PC  
Durango, Colorado  
July 12, 2022

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### INTRODUCTION

The Board of Directors of the Southwestern Water Conservation District (the District) offers this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2021. We encourage the readers to consider this Management's Discussion and Analysis (MD&A) in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

The MD&A is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

### Background Information

The District was created on April 16, 1941 by the Colorado General Assembly through House Bill #795 (Statute 37-47-101). The District is comprised of nine counties: Archuleta, Dolores, La Plata, Montezuma, San Juan, San Miguel, and parts of Hinsdale, Mineral, and Montrose. Each Board of County Commissioners appoints a representative to the District Board of Directors, which meets bi-monthly. The District's statutory authority is to protect, conserve, use and develop the water resources of the Southwestern basin for the welfare of the District, and safeguard for Colorado all waters of the basin to which the state is entitled. Following this mandate, the District has assumed a broad strategic role on behalf of its diverse constituents. District representatives advocate for southwestern Colorado's water interests at the local, state and regional level.

### FINANCIAL HIGHLIGHTS

- The District's total assets exceeded its liabilities on December 31, 2021, by \$4,252,997. This represented an increase of \$418,113 from the net position at December 31, 2020. This perspective on net position includes spendable resources as well as the investment in land, building improvements, furniture and equipment of \$75,676, restricted for emergencies \$44,101 and unrestricted of \$4,133,220.
- The District's total liabilities decreased \$135,962 and deferred inflows of resources decreased \$13,168.
- Total general fund expenditures were \$1,470,045 for the year ended December 31, 2021. This compares with general fund expenditures of \$1,397,154 for the year ended December 31, 2020.
- The District's total revenues on the fund financial statements decreased from \$1,963,242 in 2020 to \$1,899,145 in 2021. This decrease of \$65,097 is the result of the District transferring control of fiduciary duties of the San Juan Recovery Program User Committee.
- The Board of Directors increased assignments of a portion of the District's year-end general fund balance to SWCD Water Defense to "defend the water resources of the District" from \$1,760,000 in 2020 to \$2,080,000 in 2021, and to SWCD Water Development to "develop and maintain the water resources of the District" from \$1,140,000 in 2020 to \$1,386,000 in 2021.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to the statements. The statements are organized so the reader can understand the District as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for the appropriations budget.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

## **Reporting the District as a Whole**

### *Government-wide Financial Statements*

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as fees received from individuals and entities from outside the District and grants (program revenues), and revenues provided by taxpayers (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such changes in the District's property tax base and condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined by GASB.

Governmental activities – the District's financial activities center on to protecting, conserving, use and develop the water resources of the Southwestern basin for the welfare of the District, and safeguard for Colorado all waters of the basin to which the state is entitled. The District's revenue consists primarily of funds received from property taxes, and specific ownership taxes.

## **Reporting the District's Fund**

### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the activities of the District's individual governmental fund and are divided into two parts: 1) the "modified accrual basis statements" and 2) the "budgetary basis statements".

The financial statements on pages 10 and 12 of the audit focuses on assets that can readily be converted into cash in the short term and liabilities that will be settled in the short term. Governmental funds are reported using modified accrual accounting, which recognizes expenditures when the liability is incurred and revenue when measurable and available. The modified accrual accounting method provides a short-term spending focus, which helps the reader assess the amount of financial resources immediately available to finance the District's programs.

The annual budgets shown in the "budgetary basis statements" are prepared as described in the summary of significant accounting policies in the notes to the financial statements. These budgets are presented using the modified accrual basis of accounting and are found in the Required Supplementary Information section.

The "budgetary basis statements" for the General Fund, demonstrate how the District complied with the year's approved budget. The budgetary comparison schedule is presented using the same classifications as those used in the legal budget document.

### Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 14 through 22.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

**Table I**  
**Southwestern Water Conservation District**  
**Net Position**  
**December 31, 2021 and 2020**

	December 31,		Increase (Decrease)
	2021	2020 *	
Current Assets	\$ 5,860,528	\$ 5,588,949	\$ 271,579
Capital Assets	75,676	78,272	(2,596)
Total Assets	<u>5,936,204</u>	<u>5,667,221</u>	<u>268,983</u>
Current Liabilities	<u>107,525</u>	<u>243,487</u>	<u>(135,962)</u>
Deferred Inflows of Resources	<u>1,575,682</u>	<u>1,588,850</u>	<u>(13,168)</u>
Net Position			
Net investment in capital assets	75,676	78,272	(2,596)
Restricted for emergencies	44,101	84,424	(40,323)
Unrestricted	4,133,220	3,672,188	461,032
Total Net Position	<u><u>\$ 4,252,997</u></u>	<u><u>\$ 3,834,884</u></u>	<u><u>\$ 418,113</u></u>

\* Restated

The majority of the District's current assets are invested in cash, investments and a receivables for property taxes. The District has been able to provide for adequate operations without incurring debt. Restricted net position of \$44,101 represent a 3% or more emergency reserve required by an amendment to the State constitution (TABOR) and are not available for use by the District.

The majority of the District's revenue was from property and specific ownership taxes. The District's net position increased by \$418,113 (see Table II). Unrestricted net position the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased \$461,032 from \$3,672,188 in 2020 to \$4,133,220 in 2021 (see Table I).

**Table II**  
**Southwestern Water Conservation District**  
**Changes in Net Position**  
**December 31, 2021 and 2020**

	December 31,		Increase (Decrease)
	2021	2020	
<b>Revenues</b>			
Property taxes	\$ 1,566,050	\$ 1,593,812	\$ (27,762)
Specific ownership taxes	155,567	147,681	7,886
Interest and penalties	41,497	36,781	4,716
Interest income	51,698	62,367	(10,669)
Water Information program	47,800	48,237	(437)
San Juan Recovery Program User Committee	-	50,873	(50,873)
Stream gaging	26,125	18,613	7,512
Other local sources	5,745	4,878	867
Total Revenues	<u>1,894,482</u>	<u>1,963,242</u>	<u>(68,760)</u>
<b>Expenses</b>			
General Government	35,172	46,016	(10,844)
Administration	407,947	341,070	66,877
Water conservation activities	967,754	889,139	78,615
Water information program	65,496	109,121	(43,625)
Total Expenses	<u>1,476,369</u>	<u>1,385,346</u>	<u>91,023</u>
Change in Net Position	<u>\$ 418,113</u>	<u>\$ 577,896</u>	<u>\$ (159,783)</u>

### Fund Financial Analysis

The District maintains only one governmental fund, the General Fund, which is the District's operating fund. The General Fund as of December 31, 2021 reported a balance of \$4,184,712, of the funds \$29,150 is nonspendable, and \$44,394 is committed. The District's required 3% reserve for emergencies is \$44,101. The District has assigned fund balance of \$3,596,000. The remaining fund balance of \$471,067 is available for future commitments and is unassigned fund balance.

The District receives 83% of its funding from property taxes and 8% from specific ownership taxes. Water conservation activities expenditures represent 66% of the District's total expenditures, administration 28% and water information programs 4%.

### **Budgetary Highlights**

The Board of Director's did not revise the District's budget. Total 2021 actual revenue was \$18,075 less than budgeted.

The District's 2021 actual expenditures of \$1,470,045 were less than budgeted by \$396,834.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The District's investment in capital assets as of December 31, 2021, totaled \$75,676, net of accumulated depreciation. These assets include land, building improvements, furniture and equipment.

Additional information on the District's capital assets can be found in the notes to the financial statements.

#### **Long-term Debt**

The District had no long-term debt during 2021.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District will provide the following services during the 2022 budget year: support the conservation, development and management of water use in southwestern Colorado; safeguard all waters to which the State is equitably entitled; participate in and provide funding for data collection; support, participate in, and lead local policy efforts; represent southwestern Colorado on federal and state policy concerns; and provide a variety of public education on water-related issues. Finally, the District will seek to serve constituents in providing general water information as requested. These activities align with the District's first strategic plan, which was adopted on February 17, 2022, and can be found at [www.swwcd.org](http://www.swwcd.org).

The District's total budgeted revenues for 2022 are projected to be \$1,780,111. Property tax revenues are expected to be approximately \$1,575,682, based on a mill levy of .407. This revenue is based on a combined assessed valuation across nine counties of \$3,871,453,415.

### **CONTACTING SOUTHWESTERN WATER CONSERVATION DISTRICT'S MANAGEMENT**

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to: Board of Directors; Southwestern Water Conservation District; 841 East Second Avenue; Durango, CO 81301. Interested citizens can also visit our website at [www.swwcd.org](http://www.swwcd.org).

## BASIC FINANCIAL STATEMENTS

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## STATEMENT OF NET POSITION

December 31, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents.....	\$ 1,630,287
Investments.....	2,625,409
Deferred property taxes receivable.....	1,575,682
Prepaid insurance.....	29,150
Capital assets, net of accumulated depreciation.....	75,676
<b>Total assets.....</b>	<b><u>\$ 5,936,204</u></b>
<b>LIABILITIES</b>	
Accounts payable.....	\$ 91,174
Accrued expenses.....	16,351
<b>Total liabilities.....</b>	<b><u>107,525</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property taxes.....	1,575,682
<b>Total deferred inflows of resources.....</b>	<b><u>1,575,682</u></b>
<b>NET POSITION</b>	
Net investment in capital assets.....	75,676
Restricted - emergency reserves.....	44,101
Unrestricted.....	4,133,220
<b>Total net position.....</b>	<b><u>\$ 4,252,997</u></b>

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

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2021

Functions / Programs	Expenses	Net (Expense) Revenue and Change in Net Position Total Governmental Activities
<b>Governmental activities:</b>		
General Government.....	\$ 35,172	\$ (35,172)
Administration.....	407,947	(407,947)
Water conservation activities.....	967,754	(967,754)
Water information program.....	65,496	(65,496)
<b>Total governmental activities .....</b>	<b><u>\$ 1,476,369</u></b>	<b><u>(1,476,369)</u></b>
<b>General revenues</b>		
<b>Taxes</b>		
Property taxes.....		1,566,050
Specific ownership and other taxes.....		155,567
Interest and penalties.....		41,497
Interest Income.....		51,698
Water information program.....		47,800
Steam gaging.....		26,125
Other local sources.....		5,745
<b>Total general revenues .....</b>		<b><u>1,894,482</u></b>
<b>Change in net position .....</b>		<b><u>418,113</u></b>
<b>Net position, beginning .....</b>		<b>3,772,884</b>
<b>Prior period adjustment .....</b>		<b>62,000</b>
<b>Net position, beginning - restated .....</b>		<b><u>3,834,884</u></b>
<b>Net position, ending .....</b>		<b><u>\$ 4,252,997</u></b>

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

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2021

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents.....	1,630,287
Investments.....	2,625,409
Deferred property taxes receivable.....	1,575,682
Prepaid items.....	29,150
<b>Total assets</b> .....	<b>\$ 5,860,528</b>
<b>LIABILITIES</b>	
Accounts payable.....	91,174
Accrued expenses.....	8,960
<b>Total liabilities</b> .....	<b>100,134</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue.....	1,575,682
<b>Total deferred inflows of resources</b> .....	<b>1,575,682</b>
<b>FUND BALANCE</b>	
Nonspendable, prepaid expenses.....	29,150
Restricted for emergencies.....	44,101
Committed for grants to be paid.....	44,394
Assigned for:	
SWCD Water Defense.....	2,080,000
SWCD Water Development.....	1,386,000
Water Information Program.....	130,000
Unassigned.....	471,067
<b>Total fund balance</b> .....	<b>4,184,712</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b> .....	<b>\$ 5,860,528</b>

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

# SOUTHWESTERN WATER CONSERVATION DISTRICT

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## RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION December 31, 2021

<b>Total fund balance - governmental fund</b> .....	\$ 4,184,712
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund.....	75,676
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund.....	<u>(7,391)</u>
<b>Total net position - governmental activities</b> .....	<u><u>\$ 4,252,997</u></u>

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

# **SOUTHWESTERN WATER CONSERVATION DISTRICT**

## **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND For the Year Ended December 31, 2021**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	
Property taxes.....	1,566,050
Specific ownership taxes.....	155,567
Interest and penalties.....	41,497
Interest Income.....	51,698
Water information program.....	47,800
Stream gaging.....	26,125
Other local sources.....	9,408
<b>Total revenues.....</b>	<b><u>1,898,145</u></b>
<b>EXPENDITURES</b>	
General government	
Board expenses.....	35,172
Administration	
Personnel.....	153,152
County treasurer's fees.....	45,925
Other services.....	13,347
Rent.....	30,039
Dues and subscriptions.....	25,876
Supplies.....	8,547
Professional and technical services.....	121,847
Water conservation activities	
Legal.....	302,716
Other district support.....	276,949
San Juan Recovery Program User Committee.....	59,236
Engineering.....	114,319
Stream gaging - federal.....	100,108
Lobbying.....	65,650
Weather modification.....	22,040
Water education.....	24,335
Stream gaging - Colorado.....	2,401
Water information program.....	65,496
Capital outlay.....	2,890
<b>Total expenditures.....</b>	<b><u>1,470,045</u></b>
<b>Net change in fund balance.....</b>	<b><u>428,100</u></b>
<b>Fund balance, beginning.....</b>	<b><u>3,756,612</u></b>
<b>Fund balance, ending.....</b>	<b><u><u>\$ 4,184,712</u></u></b>

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

# SOUTHWESTERN WATER CONSERVATION DISTRICT

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2021

Net change in fund balance - total governmental fund..... \$ 428,100

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital asset additions.....	2,890	
Depreciation expense.....	<u>(5,486)</u>	
Net difference in capital outlay treatment.....		(2,596)

Governmental funds do not record the change in accrued compensated absences during the year as an expenditure. However, in the statement of activities, this change is shown as additional expense. This is the amount of decrease in accrued compensated absences in the current year.....

(7,391)

Change in net position - governmental activities..... \$ 418,113

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

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southwestern Water Conservation District (the District) operates under Colorado statute 37-47, which outlines the District's statutory authority and powers. 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 accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the District (the primary government) and its component units. Component units are legally separate organizations for which the appointed officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the foregoing criteria, there are no component units included in the accompanying financial statements.

#### B. Basis of Accounting and Presentation

##### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the statement of activities. Taxes and other items not required to be included among program revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

##### *Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded only when payment is due.

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2021

### *Governmental Fund Types*

The accounts of the District are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District used the following fund during 2021:

*General Fund* - The general fund is used to account for all financial resources of the District. The general fund balance is available to the District for any purpose, provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

### C. Cash and cash equivalents

The District's cash and cash equivalents is comprised of demand deposits and highly liquid investments with original maturities of three months or less from the date of acquisition.

### D. Investments

Investments are reported at fair value, except for money market funds and participating interest-earning investment contracts that mature within one year of the date of their acquisition which are stated at cost. Fair values are based on published market prices. The governmental investment pool operates in accordance with appropriate state laws and regulations. The value of the pool is reported at amortized cost which, in most cases, approximates the fair values of the pool shares.

As of December 31, 2021 the District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

Under Colorado statutes, the District may lawfully invest eligible funds in the following securities:

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

### E. Allowance for Uncollectible

No allowance for uncollectible 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.

### F. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is classified as nonspendable, as this amount is not available for general appropriation.

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2021

### G. Capital assets

Capital assets, which include land, furniture, equipment and office improvements are reported in the government wide financial statements. In the governmental fund financial statements, capital assets are charged to expenditures when purchased. Capital assets, which are defined as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year, are recorded at historical cost or estimated historical cost if historical cost is not available. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the District values these capital assets at the estimated fair value of the item at the date of donation. Capital assets of the District are depreciated using the straight-line method. These assets are depreciated over the following estimated useful lives:

Asset	Years
Furniture and equipment	5 - 10
Office improvements	7 - 15

### H. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The District does not have any items that qualify for reporting in this category.

The government reports both deferred inflows, which arise under the full accrual and modified accrual basis of accounting. Deferred property taxes are reported as a deferred inflow for both the governmental activities presentation and governmental funds balance sheet. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

### I. Compensated absences

The liability for compensated absences reported in the government-wide financial statements consists of unused paid time off (PTO), based on the employee's length and hours of service. The maximum of 80 hours of unused time may carryover into the next year. At year end, the estimated value of compensated absences was \$7,391.

### J. Accrued liabilities and long-term obligations

All payables and accrued liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2021

### K. Net position or fund balances

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

*Net Position* - Net position is assets minus liabilities plus deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

*Fund Balance* - Generally, fund balance reflects assets minus liabilities and deferred inflows of resources. Financial reporting standards establish criteria for classifying fund balance amounts into specifically defined categories to make the nature and extent of constraints on these amounts more useful and understandable. The categories comprise a hierarchy based on the extent to which constraints must be honored for a specified purpose and for which amounts can be spent. Fund balances of governmental funds may be categorized as nonspendable, restricted, committed, assigned, and unassigned.

*Nonspendable Fund Balance* - cannot be spent because it is either in nonspendable form or is legally or contractually required to be maintained intact. Examples include items not expected to be converted to cash such as inventories and prepaid assets.

*Restricted Fund Balance* - is restricted for specific purposes based on constraints externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* - is constrained for a specific purpose by formal action (resolution or ordinance) adopted by the Board of Directors and can be rescinded only through the same type of formal action used to establish the original commitment. Director actions require either an ordinance or resolution. Both are equally binding for their respective purposes and are mutually exclusive, not interchangeable with one another.

*Assigned Fund Balance* - is constrained for specific purposes as determined by management and the Board of Directors through the budget process. The Executive Director is the only employee authorized to assign fund balance.

*Unassigned Fund Balance* - is unconstrained and comprised of residual uncategorized fund balance amounts. The General Fund reports a positive unassigned fund balance.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are considered to be reduced first, followed by assigned amounts and then unassigned amounts.

### L. Property taxes

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.

Property taxes are reported as a receivable and as deferred inflows of resources when the District has an enforceable legal claim to the taxes and as revenue when available for collection in the following year.

# **SOUTHWESTERN WATER CONSERVATION DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2021

### **M. Specific ownership taxes**

Specific ownership taxes are collected for motor vehicles and other personal property registered in the District's assessment area. Specific ownership taxes are recorded as revenue when collected by the County in which the property was purchased.

### **N. 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 reporting period. Actual results could differ from those estimates.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The District adopts an annual budget for the General Fund. All annual appropriations lapse at fiscal year-end. The District does not report encumbered balances as of December 31, 2021 as all encumbrances lapse at year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds.
- On or before October 15, the District's management 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. All budgets lapse at year end.
- Public hearings are conducted by the Board of Directors to obtain citizen 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 of any fund must be approved by the Board of Directors.

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 2021.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2021

### 3. DEPOSITS AND INVESTMENTS

Deposits and investments of the District consist of the following:

#### Deposits

Cash - demand deposits	\$ 1,616,904
Cash – held by county treasurer	<u>13,383</u>
Total cash and cash equivalents	<u>1,630,287</u>

#### Investments

##### Certificates of Deposit

1 <sup>st</sup> Southwest Bank, 2.35% rate, maturing January 2022	\$ 1,592,862
1 <sup>st</sup> Southwest Bank, 1.25% rate, maturing July 2022	508,944
1 <sup>st</sup> Southwest Bank, 0.60% rate, maturing January 2023	419,627
1 <sup>st</sup> Southwest Bank, 0.60% rate, maturing January 2023	102,976
Colorado Local Government Liquid Asset Trust	<u>1,000</u>
Total investments	<u>\$ 2,625,409</u>

In the case of deposits, there is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposits are in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories, as of December 31, 2021, all of the District's deposits as shown above were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

The District has transaction accounts that are covered under Federal Deposit Insurance Corporation (FDIC) insurance. The FDIC insurance limit for cash accounts is \$250,000. The carrying amount of the District's deposits as of December 31, 2021 was \$4,241,313. The bank balances were \$4,241,338, which at various times throughout 2021 were in excess of FDIC insured amounts.

The District invested \$1,000 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 Trust operates under the authority and in conformity with Part 6 of Article 75 of Title 24 of the Colorado State Revised Statutes. Investment objective and strategies of the Trust are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The Trust offers same day access to the investment funds and there are no maximum transaction amounts and withdrawals may be made daily. COLOTRUST PLUS+ and COLOTRUST PRIME are rated 'AAAm' by S&P Global Ratings. The Trust's financial statements can be obtained on its website at <http://www.colotruster.com>.

The District's investment in the Trust are stated at fair value in accordance with Paragraph 4 of GASB Statement 79 and Paragraph 11 of GASB Statement 31, therefore the investment is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of GASB Statement 72.

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2021

GASB Statement 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end as if so, the reporting of certain related disclosures:

*Credit risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment. At year end, the District was not significantly exposed to credit risk.

*Custodial credit risk* - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2021, the District did not hold any such investments requiring additional disclosure.

*Concentration of credit risk* - The District places no limit on the amount that may be invested in any one issuer, except for corporate securities. As of December 31, 2021, the District did not hold any such investments requiring additional disclosure.

*Interest rate risk* - Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The dollar weighted average days to maturity (WAM) of COLOTRUST PLUS+ at December 31, 2021, is 44 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of COLOTRUST PLUS+ at December 31, 2021, is 71 days. The dollar weighted average days to maturity (WAM) of COLOTRUST PRIME at December 31, 2021, is 31 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of COLOTRUST PRIME at December 31, 2021, is 57 days. The District's certificates of deposits maturity range from 1 to 3 years. As of December 31, 2021, the District did not hold any investments with a maturity over 24 months.

*Foreign currency risk* - This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

#### 4. CAPITAL ASSETS

A summary of changes in general capital assets during the year ended December 31, 2021 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 62,000	\$ -	\$ -	\$ 62,000
Capital assets being depreciated:				
Furniture and equipment	33,014	2,890	-	35,904
Office improvements	14,905	-	-	14,905
Total depreciable capital assets	47,919	2,890	-	50,809
Less accumulated depreciation	(31,647)	(5,486)	-	(37,133)
Capital assets being depreciated, net	16,272	(2,596)	-	13,676
Capital assets, net	\$ 78,272	\$ (2,596)	\$ -	\$ 75,676

Depreciation expense for the year ended December 31, 2021 was \$5,486 and was charged to government activities expense.

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2021

### 5. PROPERTY TAXES RECEIVABLE

The District reports deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The \$1,575,682 of property taxes receivable is unavailable revenue representing property tax levied in 2021 but not available until 2022.

### 6. LEASE AGREEMENTS

In 2018, the District entered a five-year lease commencing November 1, 2018, terminating on October 31, 2023, for the business office in the West Building, located at 841 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:

<u>Years Ending December 31</u>	<u>Annual Payment</u>
2022	\$ 22,586
2023	19,130
Minimum Lease Payments	<u>\$ 41,716</u>

The District's base rent expense for the lease was \$22,142 in 2021. Total rent expense of \$30,039 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.

### 7. 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. No contribution was required by the District for the year ending December 31, 2021.

### 8. COLORADO TABOR

In November 1992, the people of the State of Colorado passed an amendment to the State's constitution (Article X, Section 20) known as the Taxpayer's Bill of Rights (TABOR), which was effective December 31, 1992. TABOR's intended purpose was to reasonably restrain the growth of government by imposing spending and revenue limits on the state and any local government, excluding enterprises. Provisions of TABOR require, among other things, that:

- Each district shall reserve for use in declared emergencies 3% of its fiscal year spending (as defined by TABOR) excluding bonded debt service, and this amount is set aside as part of reserved fund balance, called "declared emergencies".
- If revenue from sources not excluded from fiscal year spending exceeds the limits prescribed by TABOR in dollars for that fiscal year, the excess shall be refunded in the next fiscal year unless voters approve a revenue change as an offset. Revenue collected, kept, or spent illegally since four full fiscal years before an individual or class action enforcement suit is filed shall be refunded with 10% annual simple interest from the initial conduct.
- With minor exceptions, advance voter approval is required for any new tax, tax rate increase, or mill levy above that for the prior year or creation of any multiple-fiscal year direct or indirect district debt or other financial obligation without certain cash reserve amounts or a non-appropriation clause contained within the legal.

At December 31, 2021, the District had restricted \$44,101 the General Fund for declared emergencies.

# **SOUTHWESTERN WATER CONSERVATION DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2021

### **9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

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.

### **10. CLAIMS AND LITIGATION**

The District is unaware of any pending or threatened litigation that might have a material effect on the financial statements.

### **11. PRIOR PERIOD ADJUSTMENT**

In an effort to maintain the long-term collection of scientific data, the District on January 31, 2018, was conveyed from the Trust for Land Restoration, Inc, the Red Mountain Pass SNOTEL Site, Aurora Mining Claim. During the current year an adjustment to net position and land of \$62,000 was required to correct prior year misstatement of capital assets.

### **12. SUBSEQUENT EVENT**

The District has evaluated subsequent events through July 12, 2022, the date which the financial statements were available to be issued. There were no material subsequent events that required additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

# SOUTHWESTERN WATER CONSERVATION DISTRICT

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GENERAL FUND - BUDGET AND ACTUAL For the Year Ended December 31, 2021

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes			
Property Taxes.....	\$ 1,588,850	\$ 1,566,050	\$ (22,800)
Specific Ownership taxes.....	130,000	155,567	25,567
Interest and penalties.....	35,500	41,497	5,997
Interest Income.....	40,339	51,698	11,359
Water Information Program.....	34,900	47,800	12,900
San Juan Recovery Program User Committee.....	50,873	-	(50,873)
Stream gaging.....	28,656	26,125	(2,531)
Other local sources.....	7,102	9,408	2,306
<b>Total revenues.....</b>	<b>1,916,220</b>	<b>1,898,145</b>	<b>(18,075)</b>
<b>EXPENDITURES</b>			
General Government			
Board Expenses.....	46,800	35,172	11,628
Administration			
Personnel.....	237,498	153,152	84,346
County treasurer's fees.....	52,631	45,925	6,706
Other services.....	32,959	13,347	19,612
Rent.....	31,412	30,039	1,373
Dues and subscriptions.....	27,550	25,876	1,674
Supplies.....	7,500	8,547	(1,047)
Professional and technical services.....	63,600	121,847	(58,247)
Water conservation activities			
Legal.....	325,000	302,716	22,284
Other district support.....	356,294	276,949	79,345
San Juan Recovery Program User Committee.....	101,746	59,236	42,510
Engineering.....	70,000	114,319	(44,319)
Stream gaging - Federal.....	99,954	100,108	(154)
Lobbying.....	65,500	65,650	(150)
Weather modification.....	117,000	22,040	94,960
Water education.....	56,500	24,335	32,165
Water Rights.....	10,000	-	10,000
Demonstration CSU Farm.....	10,000	-	10,000
Stream gaging - Colorado.....	2,640	2,401	239
Water Information Program.....	72,295	65,496	6,799
<b>Total operating expenditures.....</b>	<b>1,786,879</b>	<b>1,467,155</b>	<b>319,724</b>
Other Expenditures			
Capital outlay.....	5,000	2,890	2,110
Emergency contingency.....	75,000	-	75,000
<b>Total other expenditures.....</b>	<b>80,000</b>	<b>2,890</b>	<b>77,110</b>
<b>Total expenditures.....</b>	<b>1,866,879</b>	<b>1,470,045</b>	<b>396,834</b>
<b>Net change in fund balance.....</b>	<b>49,341</b>	<b>428,100</b>	<b>378,759</b>
<b>Fund balance, beginning.....</b>	<b>3,776,368</b>	<b>3,756,612</b>	<b>(19,756)</b>
<b>Fund balance, ending.....</b>	<b>\$ 3,825,709</b>	<b>\$ 4,184,712</b>	<b>\$ 359,003</b>