

TRI-COUNTY WATER
CONSERVANCY DISTRICT

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

DONALD R. MORELAND & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Water Conservancy District
Montrose, Colorado 81401

We have audited the accompanying financial statements of Tri-County Water Conservancy District, as of and for the years ended December 31, 2021 and 2020, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 Tri-County Water Conservancy District as of December 31, 2021 and 2020, and respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Tri-County Water Conservancy District
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Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tri-County Water Conservancy District's financial statements as a whole. The supplementary information - revenues and expenditures - budget and actual is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information - revenues and expenditures - budget and actual is the responsibility of management and was 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 to 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.

Donald R. Moreland + Associates, P.C.

Montrose, Colorado
June 23, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Tri-County Water Conservancy District, we offer readers of the Tri-County Water Conservancy District's financial statements this narrative overview and analysis of the financial activities of the Tri-County Water Conservancy District for the fiscal years ended December 31, 2021 and 2020.

Financial Highlights

- The assets of the Tri-County Water Conservancy District (also referred to as the District) exceeded its liabilities at the close of the most recent fiscal year by \$44,815,418 (net position). Of this amount, \$18,529,715 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors. At the close of the prior fiscal year the District's net position and unrestricted net position were \$43,145,060 and \$17,351,993, respectively.
- The District's total net position increased (decreased) by \$1,670,358 in 2021 and \$632,625 in 2020, mainly the result of increased capital contributions, increased federal hydropower incentives and increased property and specific ownership taxes in 2021. In 2020, the increase was the result of increased treated water sales and increased property and specific ownership taxes and net increase in fair value of investments.
- The District implemented a fee structure effective January, 2011 as a result of the annual cost of service analysis. Residential tap fees were \$5,000 plus the cost of installation. In November, 2016, residential tap fees were increased to \$5,500 plus the cost of installation.
- District revenues and expenses increased from 2020 to 2021. In 2014, the District began the operation of hydropower which has increased revenues and related expenses. Investment income reflects the declining market rates. Each year the District budgets and constructs projects identified by a capital improvement program which includes renewals and replacements of aged or problem infrastructure, new or enlarged pipelines, and tanks or pump stations necessitated by growth. This annual renewal and replacement is in the approximate order of magnitude as the annual depreciation on the water distribution system as generally recommended in the industry. Depreciation including hydropower facilities for 2021 and 2020 was \$1,666,487 and \$1,646,729, respectively. During 2008, the District hired HDR, Inc. to identify current system deficiencies and to project those that may occur as a result of population growth, system age, or increasingly strict water quality regulations and form a Capital Improvements Plan based on the results. This plan has been implemented along with additional capital improvements as determined by the District.
- Since 2018, capital contributions - tap fees are up due to increased growth in the District's service area. This reverses the trend set in years prior to 2017 when capital contributions were down due to decreased growth in the District's service area and uncertainties concerning the economy.

- In December 1976 the voters in the District voted to accept the repayment contract by a 9 to 1 margin for the construction of the Dallas Creek Project to deliver project water for irrigation, municipal, industrial, hydropower and other uses. The District subsequently entered into agreements and contracts with various entities including the United States Bureau of Reclamation. The irrigation repayment obligation consists of three parts totaling not less than \$6,266,000 to be paid over 50 years with final payment in 2042. The municipal and industrial repayment obligation is \$38,000,000 plus interest to be repaid in not more than 50 years plus a ten year development period preceding the repayment obligation which makes the final payment due in 2049. The District has agreements for purchase of irrigation, municipal, and industrial water uses by other entities and has committed to their projected domestic water supply plus any excess addressed in the contract with Reclamation.
- On February 6, 2012 the District obtained a Lease of Power Privilege from the United States of America to construct an 8-megawatt (MW) hydropower generating facility at the existing outlet works of Ridgway Dam. Loans obtained to fund the project were \$13,130,000 from Colorado Water Conservation Board for thirty years at 2% and includes a 1% loan service fee and \$2,000,000 from Colorado Water Resources and Power Development Authority for twenty years at 2%. The hydropower is generated from irrigation water releases. The City of Aspen, Colorado has entered into a Power Purchase Agreement for the winter power and Renewable Energy Credits (October through May). Tri-State Generation and Transmission purchases the summer power (June through September) with the Town of Telluride, Colorado purchasing the Summer Renewable Energy Credits. Construction on site began in 2012 with completion in 2014.
- The District has committed to purchase treatment of a minimum of 183 million gallons of water annually from the Project 7 Water Authority. The District incurred costs in 2021 and 2020 under this agreement of \$998,147 for 868 million gallons and \$928,823 for 929 million gallons, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Tri-County Water Conservancy District's basic financial statements. The Tri-County Water Conservancy District's basic financial statements are presented as a special purpose government engaged in business type activities - providing domestic water utility services, hydropower and operation and management services for the Ridgway Reservoir Dam.

The *statement of net position* presents information on all of the Tri-County Water Conservancy District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Tri-County Water Conservancy District is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net position* presents information showing how the District's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused annual leave).

The *statement of cash flows* report the District's cash flows from operating, capital and investing activities. Also presented are beginning and end of year cash and cash equivalents.

The basic financial statements can be found on pages 8 through 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 through 23 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the Tri-County Water Conservancy District's budgetary comparisons for revenues and expenditures. Supplementary information can be found on pages 24 through 25 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the Tri-County Water Conservancy District, assets exceeded liabilities and deferred inflows of resources by \$44,815,418 at the close of the most recent fiscal year.

A significant amount of the District's net position reflect its investment in capital assets (e.g., land, buildings, equipment, water tanks, distribution system and hydropower facility), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Tri-County Water Conservancy District Net Position

	<u>2021</u>	<u>2020</u>
Current assets	\$ 5,489,551	6,090,821
Capital assets	37,163,987	37,370,821
Other assets	17,580,530	15,500,386
Total assets	<u>60,234,068</u>	<u>58,962,028</u>
Current liabilities	2,129,036	2,229,211
Long-term liabilities	11,549,629	12,017,829
Total liabilities	<u>13,678,665</u>	<u>14,247,040</u>
Deferred inflows of resources	<u>1,739,985</u>	<u>1,569,928</u>
Net position:		
Net investment in capital assets	25,146,159	24,893,983
Restricted	1,139,544	899,084
Unrestricted	18,529,715	17,351,993
Total net position	<u>\$44,815,418</u>	<u>43,145,060</u>

At the end of the current and prior fiscal year, the Tri-County Water Conservancy District is able to report positive balances in all categories of net position.

Under the GASB 34 reporting model the audit shows the District's net position increased (decreased) by \$1,670,358 and \$632,625, respectively, during the fiscal years ended December 31, 2021 and 2020. The increase in net position for 2021 was mainly due to increased capital contributions, increased federal hydropower incentives and increased property and specific ownership taxes. The increase in net position for 2020 was mainly the result of increased treated water sales, increased property and specific ownership taxes and net increase in fair value of investments.

Tri-County Water Conservancy District Changes in Fund Net Position

	<u>2021</u>	<u>2020</u>
Revenues:		
Operating revenue	\$ 6,172,003	6,110,817
Non-operating revenue	<u>2,367,777</u>	<u>1,936,928</u>
Total revenues	<u>8,539,780</u>	<u>8,047,745</u>
Expenses:		
Operating expenses:		
Water costs	3,724,168	3,635,767
Hydropower costs	160,458	115,877
Administrative and general	2,592,044	2,433,532
Depreciation	1,666,487	1,646,729
Non-operating expenses:		
Net (increase) decrease in		
fair value of investments	354,025	(190,929)
Interest expense	246,929	255,980
Treasurers' fees	<u>34,190</u>	<u>32,456</u>
Total expenses	<u>8,778,301</u>	<u>7,929,412</u>
Income (loss) before contributions	(238,521)	118,333
Capital contributions - tap fees	1,422,500	514,292
Capital contributions - other	<u>486,379</u>	
Change in net position	1,670,358	632,625
Net position - beginning of year	<u>43,145,060</u>	<u>42,512,435</u>
Net position - end of year	<u>\$44,815,418</u>	<u>43,145,060</u>

For the most part, the District was able to contain expenses. The District incurred an increase in non-operating revenues mainly due to federal hydropower incentives. The District had an increase in expenses due to increased treated water costs and decrease in fair value of investments.

Budgetary highlights

Changes between actual revenues and budgeted amounts were primarily due to increased water sales, increased tap fees, decreased investment income, increased federal hydropower incentives and increased property and specific ownership taxes.

Actual expenses reflect budgeted amounts which have remained relatively consistent due to the economy except for increased capital improvements and equipment purchases and increased treated water costs.

Capital Asset and Debt Administration

Capital assets. The Tri-County Water Conservancy District's investment in capital assets as of December 2021 and 2020 amounted to \$37,163,987 and \$37,370,821, respectively, (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, water tanks, distribution system and hydropower facility.

Major capital asset events during the current and prior fiscal year included water distribution system expansion and replacement.

Tri-County Water Conservancy District Capital Assets (net of depreciation)

	2021	2020
Water distribution system	\$19,682,833	19,843,930
Water meters	1,715,097	1,651,244
Storage tanks and pumping stations	1,538,569	1,351,044
Buildings and improvements	564	631
Transportation and other equipment	281,585	152,822
Hydropower facility	13,945,339	14,371,150
	<u>\$37,163,987</u>	<u>37,370,821</u>

Additional information on the District's capital assets can be found in Note 3 of this report.

Economic Factors and Next Year's Budgets and Rates

- Tap fees will be a combination of the plant investment fee and installation fee. This insures that the costs incurred are those collected.
- The District will continue to monitor, analyze, and improve the potable water distribution system.
- The District will continue to take active measures to provide dependable, quality domestic water service indefinitely.
- The District will continue in the management of investments in a manner that will ensure the safety of the principal, maximize returns, and control and minimize risk.
- The District will continue with the generation of hydropower from the Tri-County Water Hydropower Facility.

Request for information

This financial report is designed to provide a general overview of the Tri-County Water Conservancy District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Tri-County Water Conservancy District, 647 N. 7th Street, Montrose, Colorado, 81401.

FINANCIAL STATEMENTS

TRI-COUNTY WATER CONSERVANCY DISTRICTSTATEMENT OF NET POSITION

December 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,656,451	3,987,738
Due from other governments	22,515	17,640
Accounts receivable	375,560	111,426
Property taxes receivable	1,739,985	1,569,928
Inventory of supplies	695,040	404,089
TOTAL CURRENT ASSETS	5,489,551	6,090,821
UTILITY PLANT IN SERVICE		
Water distribution system	37,677,070	36,989,298
Water meters	5,905,910	5,635,423
Storage tanks and pumping stations	3,113,704	2,838,314
Buildings and improvements	108,256	108,256
Office furniture and fixtures	51,095	51,095
Transportation and other equipment	1,488,440	1,321,391
Hydropower facility	17,032,476	17,032,476
	65,376,951	63,976,253
Less accumulated depreciation	28,212,964	26,605,432
UTILITY PLANT IN SERVICE - NET	37,163,987	37,370,821
OTHER ASSETS		
Restricted assets -		
cash and cash equivalents	1,139,544	899,084
Long-term investments	16,440,986	14,601,302
TOTAL OTHER ASSETS	17,580,530	15,500,386
TOTAL ASSETS \$	60,234,068	58,962,028
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 165,588	231,566
Accrued salaries and benefits	398,514	500,616
Accrued interest	57,932	60,070
Unearned revenue - other	1,038,803	977,950
Long-term debt due in one year	468,199	459,009
TOTAL CURRENT LIABILITIES	2,129,036	2,229,211
LONG-TERM LIABILITIES		
Loans payable - net of current portion	11,549,629	12,017,829
TOTAL LONG-TERM LIABILITIES	11,549,629	12,017,829
TOTAL LIABILITIES	13,678,665	14,247,040
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred revenue - taxes	1,739,985	1,569,928
TOTAL DEFERRED INFLOWS OF RESOURCES	1,739,985	1,569,928
<u>NET POSITION</u>		
Net investment in capital assets	25,146,159	24,893,983
Restricted for :		
Debt service	413,737	353,560
Hydropower	725,807	545,524
Unrestricted	18,529,715	17,351,993
TOTAL NET POSITION \$	44,815,418	43,145,060

See Notes to Financial Statements.

TRI-COUNTY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the years ended December 31, 2021 and 2020

	2021	2020
<u>OPERATING REVENUES</u>		
Water sales and charges		
Raw water	\$ 1,284,117	1,283,154
Treated water	3,604,907	3,723,611
Hydropower sales	690,462	817,505
Material sales and reimbursements	580,445	272,724
Miscellaneous	12,072	13,823
TOTAL OPERATING REVENUES	<u>6,172,003</u>	<u>6,110,817</u>
<u>OPERATING EXPENSES</u>		
Water costs		
Raw water	2,726,021	2,706,944
Treated water	998,147	928,823
Hydropower lease of power privilege	38,520	44,628
Hydropower other costs	121,938	71,249
Materials and supplies	43,087	64,026
Salaries and wages	1,197,510	1,076,489
Employee benefits	590,826	548,431
Payroll taxes	109,786	93,376
Insurance	47,346	53,495
Directors fees and expenses	42,446	40,954
Professional fees	94,475	105,219
Office expense	107,861	87,176
Utilities	216,288	249,460
Telephone	11,672	16,928
Equipment fuel and repairs	109,148	79,197
Building repair and maintenance	3,474	3,414
Miscellaneous	18,125	15,367
Depreciation	1,666,487	1,646,729
TOTAL OPERATING EXPENSES	<u>8,143,157</u>	<u>7,831,905</u>
OPERATING INCOME (LOSS)	<u>(1,971,154)</u>	<u>(1,721,088)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Property and specific ownership taxes	1,827,973	1,714,862
Investment income	141,412	222,066
Federal hydropower incentives	388,392	
Gain on sale of equipment	10,000	
Net increase (decrease) in fair value of investments	(354,025)	190,929
Interest expense	(246,929)	(255,980)
Treasurers' fees	(34,190)	(32,456)
NET NON-OPERATING REVENUES (EXPENSES)	<u>1,732,633</u>	<u>1,839,421</u>
NET INCOME (LOSS)	<u>(238,521)</u>	<u>118,333</u>
Capital contributions - tap fees	1,422,500	514,292
Capital contributions - other	486,379	
CHANGE IN NET POSITION	<u>1,670,358</u>	<u>632,625</u>
NET POSITION, JANUARY 1	<u>43,145,060</u>	<u>42,512,435</u>
NET POSITION, DECEMBER 31	\$ <u>44,815,418</u>	<u>43,145,060</u>

See Notes to Financial Statements.

TRI-COUNTY WATER CONSERVANCY DISTRICTSTATEMENT OF CASH FLOWS

For the years ended December 31, 2021 and 2020

	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from user charges	\$ 5,969,022	6,259,033
Payments to suppliers for goods and services	(4,935,477)	(4,322,936)
Payments to employees	(2,000,224)	(1,701,164)
NET CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES	(966,679)	234,933
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Property and specific ownership tax - net	1,793,783	1,685,647
NET CASH PROVIDED BY NONCAPITAL		
FINANCING ACTIVITIES	1,793,783	1,685,647
<u>CASH FLOWS FROM CAPITAL AND RELATED</u>		
<u>FINANCING ACTIVITIES</u>		
Acquisition and construction of capital assets	(978,450)	(903,329)
Payment of long-term debt	(459,010)	(450,000)
Federal hydropower incentives	388,392	
Capital contributions - tap fees	1,422,500	514,292
Proceeds from sale of capital assets	10,000	
Interest paid on loans	(249,067)	(258,076)
NET CASH PROVIDED BY (USED FOR) CAPITAL		
AND RELATED FINANCING ACTIVITIES	134,365	(1,097,113)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investments in long-term investments	(9,900,000)	(9,293,441)
Proceeds from sale and maturities of		
long-term investments	7,706,292	8,299,536
Deposits to restricted assets	(240,460)	(237,533)
Investment income received	141,412	222,066
NET CASH PROVIDED BY (USED FOR)		
INVESTING ACTIVITIES	(2,292,756)	(1,009,372)
NET INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS	(1,331,287)	(185,905)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,987,738	4,173,643
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,656,451	3,987,738
Reconciliation of operating income (loss) to		
net cash provided by (used in) operating		
activities:		
Operating income (loss)	\$ (1,971,154)	(1,721,088)
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	1,666,487	1,646,729
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(263,834)	66,190
Inventory of supplies	(290,951)	68,604
Increase (Decrease) in:		
Accounts payable	(65,978)	75,340
Unearned revenue	60,853	82,026
Accrued salaries and benefits	(102,102)	17,132
NET CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES \$	(966,679)	234,933

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

TRI-COUNTY WATER CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Tri-County Water Conservancy District is incorporated as a conservancy district under the laws of the State of Colorado with a judicially appointed board of fifteen directors. The District distributes domestic water throughout the rural area of the Uncompahgre Valley in Western Colorado, generates hydropower and operates and manages Ridgway Reservoir Dam. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the District consist only of the enterprise fund of the District, a stand-alone government. Based on criteria set forth by GASB, there are no component units for which the District is financially accountable. The more significant of the District's accounting policies are described below.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Proprietary Fund Financial Statements. The proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place.

TRI-COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2021 and 2020

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION

Cash and cash equivalents. The District considers all cash on hand, demand deposits and short-term highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted assets. Restricted assets are cash and cash equivalents set aside for loan repayment and are classified as restricted assets on the statement of net position because their use is limited by applicable loan covenants. Also certain resources have been set aside pursuant to the lease of power privilege agreement with the United States of America through the Bureau of Reclamation.

Allowance for doubtful accounts. The District considers all accounts receivable collectible and, accordingly, provides no allowance for doubtful accounts.

Investments. It is the District's policy to invest in money market deposits with SEC registered broker-dealers and securities issued or guaranteed by the Federal government or its agencies. Investments are stated at fair value.

Property taxes receivable. Property taxes are levied on December 22 and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable at December 31, net of an estimated uncollectible portion.

Inventory of supplies. The inventory of supplies is stated at cost using the average unit cost method.

Capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Construction costs are increased by interest incurred on debt during the construction period and reduced by earnings from the investment of the unexpended loan proceeds. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation is calculated using the straight-line method over the estimated useful lives. Capital assets acquired by capital lease are depreciated over the estimated useful lives and are included in depreciation expense. The estimated useful lives are as follows:

Water distribution system	40 years
Water meters	20 years
Storage tanks	40 years
Building and improvements	10 - 40 years
Office furniture and fixtures	5 - 10 years
Vehicles and work equipment	5 - 10 years
Hydropower facility	40 years

TRI-COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2021 and 2020

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION (continued)

Compensated absences. Vested or accumulated annual leave is recorded as an expense and liability as the benefits accrue to employees.

Unearned revenue-other. Unearned revenue-other represents amounts received in advance of the service being performed or prior to the delivery of water.

Reclassifications. Certain prior years amounts have been reclassified to conform with the current year presentation.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Board of Directors of the District follows these procedures in establishing the budget.

- a. Management serving as the District's budget officer submits a proposed operating budget to the Board. A public hearing is held prior to December 15 for the following calendar year. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to January 1, the budget is enacted by passage of a resolution. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that contributions from system users (tap fees) and grants are budgeted as revenues, principal payments and capital outlays are budgeted as expenditures, and no provision is made for depreciation or system abandonments. Budgeted expenditures are appropriated in total for the District and the level of control is in total.
- c. The Board of Directors may authorize supplemental appropriations during the year. During 2021 and 2020, no supplemental appropriations were adopted.
- d. Appropriations lapse at the end of the year.

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits

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

TRI-COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2021 and 2020

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy for custodial credit risk which limits bank deposits to State and National banks located in Colorado and insured by FDIC and which are approved as public fund depositories by the State of Colorado. Deposits exceeding the insured amount shall be collateralized as required by applicable statutes. The maximum allowable certificate of deposit investment in any one bank holding company is \$100,000. As of December 31, 2021 and 2020 none of the District's bank balances of \$436,923 and \$438,926, respectively, were exposed to custodial credit risk as \$254,186 and \$358,737 respectively, was insured and \$187,737 and \$80,189, respectively, was collateralized by securities pledged by financial institutions.

At December 31, 2021 and 2020, the carrying amount of the District's deposits were presented on the balance sheet as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$2,656,451	3,987,738
Cash and cash equivalents - restricted assets	1,139,544	899,084
Investments included in cash and cash equivalents		
Colotrust	(3,159,770)	(3,163,279)
Money market deposit	(208,015)	(1,290,810)
	<u>\$ 428,210</u>	<u>432,733</u>

Investments

As of December 31, 2021 and 2020, the District had the following investments and maturities:

<u>2021</u>	<u>INVESTMENT MATURITIES (in years)</u>		
<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>LESS THAN</u>	
		<u>1</u>	<u>1-5</u>
U. S. Agencies	\$16,440,986	1,214,000	15,226,986
Colotrust	3,159,770	3,159,770	
Money market deposit	208,015	208,015	
	<u>\$19,808,771</u>	<u>4,581,785</u>	<u>15,226,986</u>
<u>2020</u>	<u>INVESTMENT MATURITIES (in years)</u>		
<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>LESS THAN</u>	
		<u>1</u>	<u>1-5</u>
U. S. Agencies	\$14,601,303	4,710,684	9,890,619
Colotrust	3,163,279	3,163,279	
Money market deposit	1,290,810	1,290,810	
	<u>\$19,055,392</u>	<u>9,164,773</u>	<u>9,890,619</u>

TRI-COUNTY WATER CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2021 and 2020

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Investments (continued)

As of December 31, 2021 and 2020, the District has invested \$3,159,770 and \$3,163,279, respectively, in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool 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 the pool.

The District's investment in COLOTRUST is rated AAAM by S&P. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Separately issued financial statements may be obtained at the following address:

COLOTRUST
717 17th Street, Suite 1850
Denver, CO 80202
www.colotrust.com

Interest rate risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's investment portfolio to maturities of less than ten years.

Credit risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of 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; and guaranteed investment contracts. The District has no policy that would further limit its investment choice. As of December 31, 2021 and 2020, the District's investment in Colotrust Plus and the Schwab Government Money Fund, 2a7-like investment pools, was rated AAA by Standard & Poor's and AAA by Moody's Investors Service. The District's investments in U. S. agencies securities were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

TRI-COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2021 and 2020

2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of credit risk

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in U.S. agencies securities. At December 31, 2021, Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage, Federal National Mortgage Association and United States Treasury Notes securities represented 14%, 26%, 4%, 10% and 30%, respectively, of the District's investments. At December 31, 2020, Federal National Mortgage Association, United States Treasury Notes and Federal National Mortgage Corporation securities represented 12%, 54%, and 11%, respectively, of the District's investments.

These investments are presented on the balance sheet as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,656,451	3,987,738
Cash and cash equivalents - restricted assets	1,139,544	899,084
Deposits included in cash and cash equivalents	(428,210)	(432,733)
	<u>3,367,785</u>	<u>4,454,089</u>
Long-term investments	<u>16,440,986</u>	<u>14,601,303</u>
	<u>\$19,808,771</u>	<u>19,055,392</u>

Fair value measurement

Government Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. According to GASB 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

The District records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair application guidance and enhances disclosures about fair value measurements.

The District's investments and derivative instruments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure fair value of assets and liabilities as follows.

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy.

TRI-COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2021 and 2020

2 - DEPOSITS AND INVESTMENTS (continued)

Fair value measurement (continued)

Level 3 - Prices determined using significant unobservable inputs. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The following table reflects the fair value of the District's investments and derivative instruments as of December 31, 2021 and 2020:

2021

<u>Assets</u>	<u>Fair Value Measurement Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Colotrust	\$ 3,159,770			
Money market deposit	208,015			
U.S. instrumentality securities:				
Federal Farm Credit Bank	3,127,407		3,127,407	
Federal Home Loan Bank	5,611,856		5,611,856	
Federal Home Loan Mortgage	977,603		977,603	
Federal National Mortgage				
Association	2,259,230		2,259,230	
United States Treasury Notes	4,464,890		4,464,890	
Total investments	<u>\$19,808,771</u>		<u>16,440,986</u>	

2020

<u>Assets</u>	<u>Fair Value Measurement Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Colotrust	\$ 3,163,279			
Money market deposit	1,290,810			
U.S. instrumentality securities:				
Federal National Mortgage				
Association	2,306,020		2,306,020	
United States Treasury Notes	10,292,869		10,292,869	
Federal National Mortgage				
Corporation	2,002,414		2,002,414	
Total investments	<u>\$19,055,392</u>		<u>14,601,303</u>	

(A) During the year, the District invested in COLOTRUST, a local government investment pool. The valuation is measured at net asset value and is designed to approximate the share value. The pool's Board of Trustees, elected by the participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. COLOTRUST is designed to provide local governments with a convenient method for investing in short-term investments carefully chose to provide maximum safety and liquidity, while still maximizing interest earnings.

TRI-COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2021 and 2020

3 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
2021				
Capital assets being depreciated:				
Water distribution system	\$36,989,298	719,727	31,955	37,677,070
Water meters	5,635,423	270,487		5,905,910
Storage tanks and pumping stations	2,838,314	275,390		3,113,704
Buildings and improvements	108,256			108,256
Office furniture and fixtures	51,095			51,095
Transportation and other equipment	1,321,391	194,049	27,000	1,488,440
Hydropower facility	17,032,476			17,032,476
Total capital assets being depreciated	<u>63,976,253</u>	<u>1,459,653</u>	<u>58,955</u>	<u>65,376,951</u>
Less accumulated depreciation for:				
Water distribution system	17,145,368	880,824	31,955	17,994,237
Water meters	3,984,179	206,634		4,190,813
Storage tanks and pumping stations	1,487,270	87,865		1,575,135
Buildings and improvements	107,625	67		107,692
Office furniture and fixtures	51,095			51,095
Transportation and other equipment	1,168,569	65,286	27,000	1,206,855
Hydropower facility	2,661,326	425,811		3,087,137
Total accumulated depreciation	<u>26,605,432</u>	<u>1,666,487</u>	<u>58,955</u>	<u>28,212,964</u>
Total capital assets, net	<u>\$37,370,821</u>	<u>(206,834)</u>		<u>37,163,987</u>

TRI-COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2021 and 2020

3 - CAPITAL ASSETS (continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
2020				
Capital assets being depreciated:				
Water distribution system	\$36,402,171	634,777	47,650	36,989,298
Water meters	5,484,065	151,358		5,635,423
Storage tanks and pumping stations	2,789,963	48,351		2,838,314
Buildings and improvements	108,256			108,256
Office furniture and fixtures	51,095			51,095
Transportation and other equipment	1,252,548	68,843		1,321,391
Hydropower facility	<u>17,032,476</u>			<u>17,032,476</u>
Total capital assets being depreciated	<u>63,120,574</u>	<u>903,329</u>	<u>47,650</u>	<u>63,976,253</u>
Less accumulated depreciation for:				
Water distribution system	16,321,253	871,765	47,650	17,145,368
Water meters	3,782,968	201,211		3,984,179
Storage tanks and pumping stations	1,407,937	79,333		1,487,270
Buildings and improvements	107,146	479		107,625
Office furniture and fixtures	48,914	2,181		51,095
Transportation and other equipment	1,102,622	65,947		1,168,569
Hydropower facility	<u>2,235,513</u>	<u>425,813</u>		<u>2,661,326</u>
Total accumulated depreciation	<u>25,006,353</u>	<u>1,646,729</u>	<u>47,650</u>	<u>26,605,432</u>
Total capital assets, net	<u>\$38,114,221</u>	<u>(743,400)</u>		<u>37,370,821</u>

4 - SHORT-TERM DEBT

The District had no short-term debt during the years ended December 31, 2021 and 2020.

TRI-COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2021 and 2020

5 - LONG-TERM LIABILITIES

A. Colorado Water Conservation Board Loan Payable

During 2012, the District entered into a loan agreement with the Colorado Water Conservation Board (CWCB) for \$9,090,000, amended in 2013 to \$13,130,000 for the construction of an 8-megawatt hydropower generating facility at the existing outlet works of Ridgway Dam. The loan is for thirty years at two percent interest and is payable in annual installments of \$586,253 on October 1 of each year. The District is required to deposit an amount equal to one-tenth of an annual payment into its debt service reserve fund on the due date of its first annual loan payment and annually thereafter for the first ten years of repayment. Such deposit has been made into a separate account. The loan outstanding at December 31, 2021 of \$10,723,868 is payable as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL PRINCIPAL AND INTEREST
2022	\$ 371,776	214,477	586,253
2023	379,212	207,042	586,254
2024	386,796	199,457	586,253
2025	394,533	191,721	586,254
2026	402,420	183,833	586,253
2027 - 2031	2,136,107	795,160	2,931,267
2032 - 2036	2,358,435	572,832	2,931,267
2037 - 2041	2,603,902	327,365	2,931,267
2042 - 2044	<u>1,690,687</u>	<u>68,074</u>	<u>1,758,761</u>
	<u>\$10,723,868</u>	<u>2,759,961</u>	<u>13,483,829</u>

B. Colorado Water Resources and Power Development Authority Loan Payable

On March 27, 2013, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) for \$2,000,000 for the construction of an 8-megawatt hydropower generating facility at the existing outlet works of Ridgway Dam. The loan is for 20 years at two percent interest and is payable in semi-annual installments of \$60,911 on May 1 and November 1 of each year. The loan outstanding at December 31, 2021 of \$1,293,960 is payable as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL PRINCIPAL AND INTEREST
2022	\$ 96,423	25,399	121,822
2023	98,361	23,461	121,822
2024	100,338	21,484	121,822
2025	102,355	19,467	121,822
2026	104,412	17,410	121,822
2027 - 2031	554,398	54,714	609,112
2032 - 2033	<u>237,673</u>	<u>5,972</u>	<u>243,645</u>
	<u>\$1,293,960</u>	<u>167,907</u>	<u>1,461,867</u>

TRI-COUNTY WATER CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2021 and 2020

5 - LONG-TERM LIABILITIES (continued)

B. Colorado Water Resources and Power Development Authority Loan Payable
(continued)

The CWRPDA loan is subject to prepayment, in whole or in part without penalty upon prior written notice to the CWRPDA of not less than 30 days.

Long-term liability for the years ended December 31, 2021 and 2020 was as follows:

	BALANCE BEGINNING OF YEAR	ADDITION	REDUCTION	BALANCE END OF YEAR	DUE WITHIN ONE YEAR
<u>2021</u>					
CWCB Loan	\$11,088,355		364,487	10,723,868	371,776
CWRPDA Loan	<u>1,388,483</u>		<u>94,523</u>	<u>1,293,960</u>	<u>96,423</u>
	<u>\$12,476,838</u>		<u>459,010</u>	<u>12,017,828</u>	<u>468,199</u>
<u>2020</u>					
CWCB Loan	\$11,445,694		357,339	11,088,355	364,486
CWRPDA Loan	<u>1,481,144</u>		<u>92,661</u>	<u>1,388,483</u>	<u>94,523</u>
	<u>\$12,926,838</u>		<u>450,000</u>	<u>12,476,838</u>	<u>459,009</u>

In 2021 and 2020, the District incurred interest costs totaling \$246,929 and \$255,980, respectively.

6 - COMMITMENTS

Purchase Commitment

In 1977 the District entered into a contract with the United States of America for the construction of the Dallas Creek Project to store and deliver project water for irrigation, municipal, industrial, hydropower and other uses. The District subsequently entered into agreements with various entities for the purchase of said water.

The irrigation obligation consists of three parts totaling not less than a \$6,266,000 repayment obligation over a fifty year period as follows.

The first part is a \$2,025,000 obligation which requires an annual payment of \$40,500. The second part is a \$1,175,000 obligation which requires an annual payment of \$23,500. The District collects these amounts from the Uncompahgre Valley Water Users Association which has a contract to purchase 100% of the irrigation water. The third part is twenty-five percent of the annual ad valorem tax the District was authorized to collect in 1977 under state law for minimum aggregate payments of \$3,066,000 plus \$5,995,164 repayment to the Colorado River Basin fund over a fifty year period.

TRI-COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2021 and 2020

6 - COMMITMENTS (continued)

The municipal and industrial principal repayment obligation is \$38,000,000 to be repaid in not more than fifty years following a ten year development period. The outstanding obligation at December 31, 2021 and 2020 was \$28,715,204 and \$29,234,734, respectively. The District has agreements for purchase of municipal and industrial water uses by other entities. The total commitment and purchase commitments by others are as follows by acre feet (A.F.) and cost:

YEARS	TOTAL COMMITMENTS		PURCHASE COMMITMENTS		DISTRICT COMMITMENT	
	A.F.	COST	A.F.	COST	A.F.	COST
2000 forward	28,100	\$2,180,940	15,240	1,182,830	12,860	998,110

The purchase price of water from the Dallas Creek Project is currently \$77.613523 per acre foot, with potential cost adjustments at no longer than five year intervals. The operation, maintenance and replacement costs were set at \$8.50 per acre foot for 2021 and 2020, respectively, subject to annual adjustment.

During 2021 and 2020, the District's payment was based on 28,100 acre feet per the contract agreement and sold 15,240 acre feet, respectively, as per agreements.

7 - EMPLOYEE RETIREMENT PLAN

The District contributes to each employee's individual account in the Tri-County Water Conservancy District 457 Plan (Plan), a defined contribution pension plan for its full-time employees. The Plan is administered by CPI Qualified Plan Consultants, Inc. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board of Directors of the District. Employees are eligible to participate after ninety days of full-time employment, at which point the District contributes 5% (10% after one year's employment) of the employees' base salary each month. Employees are also permitted to make contributions up to applicable Internal Revenue Code limits.

Full vesting of benefits begin immediately resulting in no forfeitures for the Plan. For the years ended December 31, 2021 and 2020, employee contributions were \$4,000 and \$32,877, respectively, and the District recognized pension expense of \$128,321 and \$129,900 respectively.

The District had no liability to the Plan at December 31, 2021 and 2020.

TRI-COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2021 and 2020

8 - JOINT VENTURE

The District is a participant with three municipalities and two other water districts in a joint venture to operate the Project 7 Water Authority, a water treatment facility. The Authority is governed by a six member board consisting of an appointed representative from each of the participants. The District is obligated by contract to purchase the treatment of 183 million gallons of water annually from the Authority so long as the Authority has any unpaid debt other than for operating expenses, at rates set by the Authority. The rate for 2021 and 2020 was \$1.15 and \$1.00 per thousand gallons, respectively, which results in a minimum annual purchase commitment of \$210,450 but the rate charged may be changed by action of the Authority.

During the years ended December 31, 2021 and 2020, the District purchased treatment of 868 and 929 million gallons for \$998,147 and \$928,823, respectively. At December 31, 2021 and 2020, the District owed the Authority \$55,926 and \$52,135, respectively. Separate financial statements of Project 7 Water Authority are available from the District or the Authority.

9 - SPENDING AND DEBT LIMITATIONS

The State Constitution, Article X, Section 20, has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Section is complex and subject to judicial interpretation. It is the opinion of management and the District's attorney that the District's water and hydropower activities are an enterprise within the meaning of Article X, Section 20, and is not subject to the revenue limitations nor required to establish the emergency reserves, but is subject to the property tax limitations contained therein.

10 - RISK MANAGEMENT

The District is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Such exposure, except for the distribution system, is covered by purchase of commercial insurance, including worker's compensation, and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11 - NONCASH INVESTING AND FINANCING ACTIVITIES

In addition to cash invested in the acquisition and construction of capital assets, developers and other governments contributed water distribution system improvements valued at \$486,379 for the year ended December 31, 2021.

12 - SUBSEQUENT EVENTS

Subsequent events were evaluated through June 23, 2022 which is the date the financial statements were available to be issued.

In 2020 and 2021, domestic and international economies face uncertainty related to the COVID-19 pandemic. The District may be adversely affected through a delay in collection of the charges and negative impacts on operations. However, the related financial impact cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

TRI-COUNTY WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For the years ended December 31, 2021 and 2020

	2021			2020		
	ORIGINAL AND FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE	ORIGINAL AND FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
PROPRIETARY REVENUES						
Water sales	\$ 3,450,000	3,604,907	144,907	3,230,000	3,723,611	493,611
Hydropower sales	1,295,000	690,462	(604,538)	1,273,000	817,505	(455,495)
Material sales						
and reimbursements		6,571	6,571		16,867	16,867
New construction		50,277	50,277		10,090	10,090
Tap fees	500,000	1,422,500	922,500	400,000	514,292	114,292
Investment income	250,000	141,412	(108,588)	400,000	222,066	(177,934)
Miscellaneous	26,830	10,439	(16,391)	13,830	9,648	(4,182)
Vehicle and equipment sales	10,000	10,000	-	10,000		(10,000)
Raw water	1,323,630	1,284,117	(39,513)	1,322,130	1,283,154	(38,976)
Line extension fees	300,000	290,036	(9,964)	300,000		(300,000)
Dam monitoring	184,540	268,376	83,836	176,040	249,942	73,902
Federal hydropower incentives		388,392	388,392			-
TOTAL PROPRIETARY REVENUES	7,350,000	8,167,489	817,489	7,125,000	6,847,175	(277,825)
EXPENDITURES						
	8,000,000	7,895,353	104,647	8,000,000	7,448,771	551,229
EXCESS (DEFICIT) OF PROPRIETARY REVENUES OVER (UNDER) EXPENDITURES	(650,000)	332,136	982,136	(875,000)	(601,596)	273,404
GOVERNMENT REVENUES						
Property and specific ownership taxes	1,750,000	1,827,973	77,973	1,675,000	1,714,862	39,862
EXPENDITURES						
	1,750,000	398,981	1,351,019	1,675,000	378,170	1,296,830
EXCESS (DEFICIT) OF GOVERNMENT REVENUES OVER (UNDER) EXPENDITURES	-	1,428,992	1,428,992	-	1,336,692	1,336,692
TOTAL DISTRICT REVENUES	9,100,000	9,995,462	895,462	8,800,000	8,562,037	(237,963)
TOTAL DISTRICT EXPENDITURES	9,750,000	8,234,334	1,515,666	9,675,000	7,826,941	1,848,059
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES \$	(650,000)	1,761,128	2,411,128	(875,000)	735,096	1,610,096
RECONCILIATION OF EXCESS OF REVENUES OVER (UNDER) EXPENDITURES TO CHANGE IN NET POSITION:						
Capital contributions - other		453,197			903,329	
Capital expenditures		1,017,535				
Net increase (decrease) in fair value of investments		(354,025)			190,929	
Debt service - principal		459,010			450,000	
Depreciation		(1,666,487)			(1,646,729)	
\$		1,670,358			632,625	

TRI-COUNTY WATER CONSERVANCY DISTRICT

2021				2020		
	ORIGINAL AND FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE	ORIGINAL AND FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
PROPRIETARY EXPENDITURES						
\$	65,000	42,446	22,554	55,000	40,954	24,046
Directors' expense	5,000	1,675	3,325	8,000	74	7,926
Travel and lodging	5,000	2,108	2,892	7,000	1,795	5,205
Training	10,000	7,688	2,312	7,000	5,959	1,041
Dues and subscriptions	15,000	8,695	6,305	15,000	8,402	6,598
Publishing and printing	15,000	14,231	769	15,000	14,415	585
Attorney fees	15,000	14,500	500	14,500	14,150	350
Audit and accounting	60,000	29,489	30,511	40,000	26,847	13,153
Financial advisor fees	50,000	9,698	40,302	32,966	32,966	(32,966)
Consulting fees	5,000	1,105	3,895	5,000	865	4,135
Lab		1,500	(1,500)		1,500	(1,500)
Radio repeater rental/upgrade	40,000	34,876	5,124	38,000	24,034	13,966
Office supplies and equipment	15,000	9,783	5,217	11,500	14,995	(3,495)
Communications	60,000	56,156	3,844	60,000	48,354	11,646
Postage and CC/EFT fees	15,000	9,547	5,453	13,000	9,504	3,496
Utilities - office	10,000	3,474	6,526	10,000	3,414	6,586
Building maintenance	10,000					
Small tools	10,000	14,902	(4,902)	12,000	4,560	7,440
Equipment, vehicles and tools	100,000	194,049	(94,049)	100,000	68,843	31,157
Capital improvements	400,000	512,668	(112,668)	700,000	385,903	314,097
Materials and supplies	50,000	40,465	9,535	50,000	63,609	(13,609)
Weed control	1,000	178	822	1,000	797	203
Equipment maintenance	30,000	16,787	13,213	35,000	16,059	18,941
Vehicle maintenance	20,000	10,132	9,868	20,000	5,127	14,873
Equipment fuel	50,000	61,112	(11,112)	50,000	47,926	2,074
Insurance and bonds	40,000	31,428	8,572	40,000	38,167	1,633
Personal taxes	1,300,000	1,294,975	5,025	1,300,000	1,321,484	(21,484)
Payroll costs	110,000	110,606	(606)	110,000	99,759	10,241
Employee benefits	670,000	586,071	83,929	630,000	536,280	93,720
Workmen's comp insurance	25,000	12,743	12,257	40,000	12,764	27,236
Water treatment	1,045,000	998,147	46,853	825,000	928,823	(103,823)
Electricity	205,000	198,023	6,977	165,000	231,537	(66,537)
Raw water	2,180,940	2,187,919	(6,979)	2,180,940	2,187,920	(6,980)
Irrigation water	64,000	64,000	-	64,000	64,000	-
Dam operations and maintenance	377,310	377,686	(376)	377,310	389,252	18,058
Water conservation	30,000	10,094	19,906	10,000	5,676	4,324
Hydropower project	800,000	121,938	678,062	850,000	71,249	778,751
Hydropower lease of power privilege		38,520	(38,520)		44,628	(44,628)
Debt service - principal		459,010	(459,010)		450,000	(450,000)
Debt service - interest		246,929	(246,929)		255,980	(255,980)
Contingency	106,750		106,750	130,750		130,750
TOTAL PROPRIETARY EXPENDITURES \$	8,000,000	7,835,353	164,647	8,000,000	7,448,771	551,229
GOVERNMENT EXPENDITURES						
	364,792	364,791	1	345,714	345,714	-
Irrigation ad valorum	37,000	34,190	2,810	37,000	32,456	4,544
Treasurers' fees	1,348,208		1,348,208	1,292,286		1,292,286
Contingency						
TOTAL GOVERNMENT EXPENDITURES \$	1,750,000	398,981	1,351,019	1,675,000	378,170	1,296,830