

Upper Gunnison River Water Conservancy District
Financial Statements
December 31, 2021

Table of Contents

| | PAGE |
|--|------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| MANAGEMENT DISCUSSION & ANALYSIS | 3 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| Statement of Net Position | 11 |
| Statement of Activities | 12 |
| FUND FINANCIAL STATEMENTS: | |
| Balance Sheet – General Fund | 13 |
| Reconciliation of the Governmental Fund Balance Sheet to Statement of Net Position | 14 |
| Statement of Revenues, Expenditures and Changes in Net Position – General Fund | 15 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities | 16 |
| Statement of Net Position – Water Enterprise Fund | 17 |
| Statement of Revenue, Expenses and Change in Net Position – Water Enterprise Fund | 18 |
| Statement of Cash Flows – Water Enterprise Fund | 19 |
| NOTES TO THE FINANCIAL STATEMENTS | 20 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Statement of Revenues, Expenditures and Change in Net Position – Budget & Actual General Fund | 27 |
| OTHER SUPPLEMENTARY INFORMATION | |
| Schedule of Revenues, Expenditures and Changes in Available Resources – Budget & Actual – Water Enterprise Fund | 28 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors'
Upper Gunnison River Water Conservation District

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Upper Gunnison River 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 Upper Gunnison River Water Conservation District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Upper Gunnison River Water Conservation District, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Upper Gunnison River Water Conservation District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 the Upper Gunnison River 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

My 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 my 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, I:

- 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 the Upper Gunnison River 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Gunnison River Water Conservation District's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Gunnison River Water Conservation District's basic financial statements. The budgetary comparison information for the Enterprise Fund on page 28, relates directly to the underlying accounting and other records used to prepare the basic financial statements. I have applied certain limited procedures to the 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

Paul D. Miller, CPA, LLC

Grand Junction, CO

June 6, 2022

Upper Gunnison River Water Conservancy District
Management's Discussion and Analysis
December 31, 2021

As management of the Upper Gunnison River Water Conservancy District, (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

General Background

The Upper Gunnison River Water Conservancy District was formed pursuant to the Colorado Water Conservancy Act, Sections 37-45-101 et seq., C.R.S. The original organizational decree was entered June 1, 1959, with reorganization decrees entered in October 1991 and November 2011. The District boundaries include all the Upper Gunnison River basin drainage, which is made up of the majority of Gunnison County and portions of Hinsdale and Saguache Counties. The Water Conservancy Act gives the District fairly broad powers. The District can appropriate water, litigate, enter into contracts, hold real property, operate projects, and perform other functions as needed to meet the present and future water needs of the District. The 2011 reorganization shifted a boundary line between Divisions 4 and 5 and added a second director to Division 5 based on the 2010 U.S. Census data. This resulted in a temporary increase from eleven to twelve directors. When a vacancy subsequently arose in Division 8, City of Gunnison, the number of directors in that division decreased from four to three and the total number of directors reverted to eleven.

The District's mission is to be an active leader in all issues affecting the water resources of the Upper Gunnison River Basin.

An eleven-member Board of Directors governs the District. Each member of the Board of Directors serves a four-year term. The terms are staggered with no more than four seats open in any given year. The Board utilizes committees to assist in resolving specific issues affecting the District. Regular meetings of the Board are generally held on the fourth Monday of each month. The Board also holds special meetings and work sessions, as necessary.

A staff of five, consisting of a general manager, general counsel, accountant/office manager, administrative assistant/communications support specialist, and water resource specialist, along with contracted consultants, carries out the activities of the District as directed by the Board.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$6,579,447 (i.e., net position) as of December 31, 2021, an increase of \$332,617 in comparison to the prior year.
- The District's Net Position for the General Fund was \$5,269,893, an increase of \$81,423 in comparison to the prior year.
- General property taxes totaled \$1,355,144 or 94% of general revenues.

Upper Gunnison River Water Conservancy District
Management's Discussion and Analysis
December 31, 2021

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner like a private-sector business.

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

The **statement of activities** presents information showing how the District's Net Position changed during the most recent fiscal year. 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 reported in this statement for some items will result in cash flows in future periods (e.g., uncollected taxes and earned but unused personal time).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The Governmental Activities of the District include general government administration. The Business-type Activities of the District include the following water enterprise 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 District's funds can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *short-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. The accounting method is called *modified accrual* accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the

Upper Gunnison River Water Conservancy District
Management's Discussion and Analysis
December 31, 2021

Governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains one governmental fund, the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

Proprietary Funds – The District maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses a separate enterprise fund to account for its utility fund: Water Enterprise Fund.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted previously, net position may serve over time as a useful indicator of the District's financial position. For the year ended December 31, 2021, the District's combined assets exceeded liabilities by \$6,579,447. Of this amount, \$4,882,002 is unrestricted and available to meet the District's ongoing financial obligations.

A portion of Net Position is the investment in capital assets (net of related debt) of \$11,634,188 (25% of Net Position). This amount reflects the investment in all capital assets (e.g., infrastructure, land, dams, reservoirs, and office equipment) less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

Upper Gunnison River Water Conservancy District
Management's Discussion and Analysis
December 31, 2021

The following table summarizes the District's governmental and business-type Net Position for 2020 and 2021:

| | Governmental Activities | | Business-Type Activities | | Government-Wide Totals | |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Assets | | | | | | |
| Current and other assets | \$ 3,157,259 | \$ 4,072,040 | \$ 314,159 | \$ 133,848 | \$ 3,471,418 | \$ 4,205,888 |
| Capital assets | - | - | 1,003,813 | 1,007,042 | 1,615,169 | 1,629,434 |
| Long-term Investments | 3,118,220 | 2,006,161 | - | - | 3,118,220 | 2,006,161 |
| Total assets | 6,275,479 | 6,078,201 | 1,317,972 | 1,140,890 | 8,204,807 | 7,841,483 |
| Current Liabilities | 83,787 | 145,760 | 8,418 | 7,530 | 92,205 | 153,290 |
| Non-current liabilities | | | | | | |
| Compensated absences | - | - | - | - | 50,545 | 38,182 |
| Loans payable | - | - | - | 75,000 | - | 75,000 |
| Total liabilities | 83,787 | 145,760 | 8,418 | 82,530 | 142,750 | 266,472 |
| Deferred Inflow of Resources | | | | | | |
| Property taxes | 1,495,005 | 1,304,782 | - | - | 1,495,005 | 1,304,782 |
| Net Position | | | | | | |
| Investment in capital assets, net of related debt | - | - | 1,003,813 | 932,042 | 1,615,169 | 1,554,434 |
| Restricted | 63,257 | 51,249 | - | - | 63,257 | 51,249 |
| Nonspendable | 6,234 | - | - | - | 6,234 | - |
| Unrestricted | 4,627,196 | 4,576,410 | 305,741 | 126,318 | 4,888,626 | 4,664,546 |
| Total net position | \$ 4,696,687 | \$ 4,627,659 | \$ 1,309,554 | \$ 1,058,360 | \$ 6,573,286 | \$ 6,270,229 |

An additional portion of net position, \$63,257, represents resources that are subject to external restrictions on how they may be used, the Nonspendable amount represents prepaid expenses and therefore is not available funds to spend. The remaining balance of unrestricted net position, \$4,888,626 (74% of Net Position), may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position

Governmental and business-type activities increased the District's Net Position by \$69,028 in 2021.

Upper Gunnison River Water Conservancy District
Management's Discussion and Analysis
December 31, 2021

| | Governmental Activities | | Business-Type Activities | | Government-Wide Totals | |
|-------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 494,321 | \$ 266,943 | \$ 287,080 | \$ 73,458 | \$ 781,401 | \$ 340,401 |
| General Revenues | | | | | | |
| Taxes | 1,444,576 | 1,415,167 | - | - | 1,444,576 | 1,415,167 |
| Miscellaneous | 1,441 | 6,930 | - | - | 1,441 | 6,930 |
| Interest income | (3,776) | 82,900 | 47 | 287 | (3,729) | 83,187 |
| Lake San Cristobal | - | - | - | - | - | - |
| Totals | <u>1,936,562</u> | <u>1,771,940</u> | <u>287,127</u> | <u>73,745</u> | <u>2,223,689</u> | <u>1,845,685</u> |
| Expenses | | | | | | |
| Salaries & Benefits | 557,250 | 502,303 | 27,144 | 23,185 | 521,027 | 521,027 |
| Public Outreach | 27,125 | 16,676 | - | - | 27,125 | 16,676 |
| Legal & Accounting | 6,033 | 5,188 | 293 | 257 | 6,326 | 5,445 |
| Occupancy Expenses | 14,053 | 14,435 | 505 | 617 | 14,558 | 15,052 |
| Bonding & Insurance | 8,586 | 9,592 | 1,038 | 1,026 | 9,624 | 10,618 |
| Office Expense | 154,086 | 94,375 | 3,114 | 2,942 | 157,200 | 97,317 |
| Board of Directors Expenses | 5,628 | 5,778 | 169 | 263 | 5,797 | 6,041 |
| Board of Directors Fees | 9,680 | 12,160 | - | - | 9,680 | 12,160 |
| General & administrative | 40,891 | 24,256 | 375 | 314 | 41,266 | 24,570 |
| Membership & Dues | 12,398 | 6,091 | - | - | 12,398 | 6,091 |
| Stream Monitoring | 177,818 | 137,808 | - | - | 177,818 | 137,808 |
| Bad Debts | - | 13,421 | - | - | - | 13,421 |
| Taylor Park Project | 7,436 | 6,377 | - | - | 7,436 | 6,377 |
| Basin Planning & Development | 346,665 | 212,771 | - | - | 346,665 | 212,771 |
| Fish Recovery Program | 6,000 | 3,000 | - | - | 6,000 | 3,000 |
| Water Costs & Supply Program | 290,679 | 258,337 | - | - | 290,679 | 258,337 |
| Lake San Cristobal | 13,464 | 13,464 | - | - | 13,464 | 13,464 |
| Cloud Seeding Program | 140,962 | 128,658 | - | - | 140,962 | 128,658 |
| Repairs & Maintenance | - | - | 66 | 105 | 66 | 105 |
| Capital Outlays | 48,780 | 15,638 | - | - | - | - |
| Depreciation Expense | - | - | 3,229 | 3,229 | 27,249 | 26,979 |
| Total Expenses | <u>1,867,534</u> | <u>1,480,328</u> | <u>35,933</u> | <u>31,938</u> | <u>1,815,340</u> | <u>1,515,917</u> |
| Increase in net assets | 69,028 | 291,612 | 251,194 | 41,807 | 408,349 | 333,419 |
| Beginning | 4,627,659 | 4,336,047 | 1,058,360 | 1,016,553 | 5,942,094 | 5,352,600 |
| Ending | <u>\$ 4,696,687</u> | <u>\$ 4,627,659</u> | <u>\$ 1,309,554</u> | <u>\$ 1,058,360</u> | <u>\$ 6,350,443</u> | <u>\$ 5,686,019</u> |

Business-type Activities

Business-type activities for the year resulted in an increase in Net Position of \$251,194. Charges for services accounted for 100% of total revenues.

Upper Gunnison River Water Conservancy District
Management's Discussion and Analysis
December 31, 2021

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Unreserved net position may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The District has one governmental fund, the General Fund, which is the primary operating fund for the District. At the end of 2021, unassigned net position of the General Fund was \$4,567,688 while the total fund balance was \$4,627,659. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned net position and total net position to total fund expenditures. The net position of the District's General Fund increased by \$291,612 during 2021.

Proprietary funds. The District's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The District has one enterprise fund: Water Enterprise Fund. At the end of 2021, the fund represented the following net position amounts:

| | |
|---------------------------|--------------|
| Fund: | Water |
| Unrestricted net position | \$ 305,741 |
| Total net position | \$ 1,309,554 |
| Increase in net position | \$ 251,147 |

The substantial increase in services charged was due to a large block of water (Units) being purchased by one entity.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District budgeted \$2,108,577 for 2021 expenditures. Actual expenditures were \$1,867,535. There was no amendment to the original budget for the General Fund or the Enterprise Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

The District's investment in capital assets for its governmental and business-type activities as of December 31, 2021, was \$1,634,188.

Upper Gunnison River Water Conservancy District
Management's Discussion and Analysis
December 31, 2021

| | Balance 12/31/2020 | Increase | Decrease | Balance 12/31/2021 |
|------------------------------------|-----------------------|-------------------|------------------|-----------------------|
| <u>Governmental Funds</u> | | | | |
| Building and Land | \$ 759,424 | \$ - | \$ - | \$ 759,424 |
| Office Equipment | 50,829 | 18,556 | - | 69,385 |
| Vehicles | - | 45,861 | - | 45,861 |
| Projects in process | 15,637 | - | 15,637 | - |
| Less Accumulated Depreciation | (214,534) | (29,762) | - | (244,296) |
| Net Governmental Capital Assets | <u>\$ 611,356</u> | <u>\$ 34,655</u> | <u>\$ 15,637</u> | <u>\$ 630,374</u> |
| <u>Business-type Activities</u> | | | | |
| Asset not being depreciated | \$ 942,457 | \$ - | \$ - | \$ 942,457 |
| Asset being depreciated | | | | |
| Dam Rehabilitation | 113,024 | - | - | 113,024 |
| Less Accumulated Depreciation | (48,439) | (3,229) | - | (51,668) |
| Net Depreciable Capital Assets | <u>64,585</u> | <u>(3,229)</u> | <u>-</u> | <u>61,356</u> |
| Total Business-type Capital Assets | <u>\$ 1,007,042</u> | <u>\$ (3,229)</u> | <u>\$ -</u> | <u>\$ 1,003,813</u> |

Economic Factors and Next Year's Budget

General fund revenues increased by approximately \$209,000 in 2021 and we anticipate that revenues will remain stable in 2022.

Several areas of the economy of the region comprising the District continue to be impacted by the novel coronavirus pandemic in 2021. Issues around availability of work force housing and cost of living continue to plague the community. Businesses, local and federal governments, hospital, ski area, restaurants, etc., continue to have difficulty attracting and filling vacant positions due to lack of available housing and cost of housing which has sky rocketed over the past two years in the Gunnison Valley. According to the Common-Sense Institute, inflation over the last twelve months in the Denver Metro area was 7.9% (January 2021-January 2022) as reported by the Bureau of Labor and Statistics. *On average Colorado households spent a combined \$2,902 more on food, housing, transportation, medical care, recreation and education in the past 12 months than in 2020. The two price categories that grew the fastest over the last 12 months were energy and transportation, which grew by 24.9% and 21.1%, respectively.*

Two state agencies in Colorado develop Consumer Price Index (CPI) projections for the Denver-Aurora-Lakewood CPI (used by many local governments across Colorado) and they are the Colorado Legislative Council and the Colorado Office of State Planning and Budgeting. CPI projections for June of 2022 are 7.9% and 8.2%, respectively.

The Board of Directors also commissioned a professional salary compensation study in the fall of 2021 with Employers Council in order to evaluate pay within the District based upon industry standards and our specific geographic area. The study showed that District salaries were 90.7% of the strategic target comparison ratio for similar jobs (50th percentile or range mid-point). As a result, the Board of Directors adopted a Total Rewards Philosophy & Strategies in 2021 which included the goal of paying employees within 90-110 percent of the target range mid-point while

taking into account individual skills, experience, performance, and contribution to and longevity within the organization. Adjustments to salaries were made beginning in the 2022 budget.

Over the past two year (late 2020-2022), the District has hired two new employees (Administrative Assistant/Communications Support Specialist and Watershed Program Coordinator). In order to address the impact of local housing issues on new employees, the Board of Directors is evaluating a potential Employee Home Loan Assistance Buying Program in order to help attract, recruit, and retain a skilled and high performing work force now and into the future.

Inflation and supply chain issues are affecting all areas of the economy. The District has noticed significant increases in construction costs associated with our Grant Program. For example, in recent conversations with water managers across the western slope of Colorado, construction estimates for irrigation improvements developed in 2019 have easily doubled or tripled in 2021. Delays in receipt of piping orders are now commonly 4 - 8 months depending upon the type.

Finally, the Western Slope of Colorado has been experiencing a long-term, 20-year on-going drought, with significant to extreme drought in the past 5 years. Extreme drought in the seven Colorado River Basin states along with Lower Basin overuse is threatening water supplies in Lake Powell with potential for Upper Basin states to not be able to physically move water through infrastructure. The Bureau of Reclamation recently announced that Colorado River Basin states must come up with a plan in the next 60 days to reduce water use by two to four million acre-feet starting in 2023. It is unclear at this point how those reductions will be distributed and accomplished, but we do anticipate potential direct and secondary economic impacts.

Request for Information

The financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to General Manager, Upper Gunnison River Water Conservancy District, 210 West Spencer Avenue, Suite B, Gunnison, CO. 81230 or 970-641-6065, 970-641-1162 (fax), schavez@ugrwcd.org

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRIC
Government-Wide
Statement of Net Position
December 31, 2021

| | Primary Government | | |
|-------------------------------------|---------------------------|--------------------------------|--------------|
| | Governmenta Activities | Business Type Activities | Totals |
| Assets | | | |
| Current Assets: | | | |
| Cash & equivalents | \$ 305,850 | \$ 24,493 | \$ 330,343 |
| Certificates of deposits | 829,125 | - | 829,125 |
| Investments-COLOTRUST | 492,382 | 289,637 | 782,019 |
| Accounts receivable | 8,418 | 29 | 8,447 |
| Due from other Governments | 10,007 | - | 10,007 |
| Property taxes Receivable | 1,495,005 | - | 1,495,005 |
| Accrued Interest Receivable | 10,238 | - | 10,238 |
| Prepaid expenses | 6,234 | - | 6,234 |
| Total Current Assets | 3,157,259 | 314,159 | 3,471,418 |
| Long-term Investments: | | | |
| Bonds | 3,118,220 | - | 3,118,220 |
| Capital Assets: | | | |
| Office equipment | 69,386 | - | 69,386 |
| Office building & lanc | 759,424 | - | 759,424 |
| Vehicle | 45,861 | - | 45,861 |
| Dam rehabilitation | - | 113,024 | 113,024 |
| Meridian Lake Reservoir | - | 942,457 | 942,457 |
| Less accumulated depreciator | (244,296) | (51,668) | (295,964) |
| Net Capital Assets | 630,375 | 1,003,813 | 1,634,188 |
| TOTAL ASSETS | 6,905,854 | 1,317,972 | 8,223,826 |
| Liabilities | | | |
| Accounts payable | 83,786 | 8,418 | 92,204 |
| Noncurrent Liabilities | | | |
| Compensated absences | 57,169 | - | 57,169 |
| TOTAL LIABILITIES | 140,955 | 8,418 | 149,373 |
| Deferred Inflow of Resources | | | |
| Property taxes | 1,495,005 | - | 1,495,005 |
| Net Position | | | |
| Investment in capital assets | 630,375 | 1,003,813 | 1,634,188 |
| Restricted for TABOR reserve | 63,257 | - | 63,257 |
| Unrestricted | 4,576,262 | 305,741 | 4,882,003 |
| TOTAL NET POSITION | \$ 5,269,894 | \$ 1,309,554 | \$ 6,579,448 |

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

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRIC
Government-Wide
Statement of Activities
December 31, 2021

| | Primary Government | | |
|--------------------------------------|---------------------------|--------------------------------|---------------------|
| | Governmenta Activities | Business Type Activities | Totals |
| Expenses Programs | | | |
| Salaries & Benefits | \$ 563,874 | \$ 27,144 | \$ 591,018 |
| Public Outreach | 27,125 | - | 27,125 |
| Legal & Accounting | 6,033 | 293 | 6,326 |
| Occupancy Expenses | 14,053 | 505 | 14,558 |
| Bonding & Insurance | 8,586 | 1,038 | 9,624 |
| Office Expense | 154,087 | 3,114 | 157,201 |
| Board of Directors Expenses | 5,628 | 169 | 5,797 |
| Board of Directors Fees | 9,680 | - | 9,680 |
| General & administrative | 40,891 | 375 | 41,266 |
| Membership & Dues | 12,398 | - | 12,398 |
| Stream Monitoring | 177,818 | - | 177,818 |
| Taylor Park Project | 7,436 | - | 7,436 |
| Basin Planning & Developmer | 346,665 | - | 346,665 |
| Fish Recovery Program | 6,000 | - | 6,000 |
| Water Costs & Supply Program | 290,679 | - | 290,679 |
| Cloud Seeding Prograrr | 140,962 | - | 140,962 |
| Lake San Cristobal | 13,464 | - | 13,464 |
| Repairs & Maintenance | - | 66 | 66 |
| Depreciation Expense | 29,761 | 3,229 | 32,990 |
| TOTAL PROGRAM EXPENSES | 1,855,140 | 35,933 | 1,891,073 |
| Program Revenue | | | |
| Basin wide Planning | 344,497 | - | 344,497 |
| Cloud Seeding Prograrr | 90,750 | - | 90,750 |
| Charges for services | 59,074 | 287,080 | 346,154 |
| Total Program Revenue | 494,321 | 287,080 | 781,401 |
| NET PROGRAM REVENUE(EXPENSES | (1,360,819) | 251,147 | (1,109,672) |
| General Revenues | | | |
| Property taxes | 1,355,144 | - | 1,355,144 |
| Specific Ownership taxes | 89,432 | - | 89,432 |
| Interest on deposits and investments | (3,776) | 47 | (3,729) |
| Miscellaneous | 1,442 | - | 1,442 |
| TOTAL GENERAL REVENUES | 1,442,242 | 47 | 1,442,289 |
| Change in Net Position | 81,423 | 251,194 | 332,617 |
| Net Position - January 1 | 5,188,470 | 1,058,360 | 6,246,830 |
| Net Position - December 31 | <u>\$ 5,269,893</u> | <u>\$ 1,309,554</u> | <u>\$ 6,579,447</u> |

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

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRICT
 Balance Sheet - General Fund
 December 31, 2021

Assets

Current Assets:

| | | |
|-----------------------------|----|-----------|
| Cash & equivalents | \$ | 305,850 |
| Certificates of deposits | | 829,125 |
| Investment-COLOTRUST | | 492,382 |
| Due from other Governments | | 10,007 |
| Accounts receivable | | 8,418 |
| Property taxes receivable | | 1,495,005 |
| Accrued interest receivable | | 10,238 |
| Prepaid expense | | 6,234 |
| Total Current Assets | | 3,157,259 |

Long-term investments

| | | |
|-------------|--|-----------|
| Investments | | 3,118,220 |
|-------------|--|-----------|

| | | |
|--------------|--|-----------|
| TOTAL ASSETS | | 6,275,479 |
|--------------|--|-----------|

Liabilities

| | | |
|-------------------|--|--------|
| Accounts payable | | 83,786 |
| TOTAL LIABILITIES | | 83,786 |

Deferred Inflow of Resources

| | | |
|----------------|--|-----------|
| Property taxes | | 1,495,005 |
|----------------|--|-----------|

Net Position

| | | |
|------------------------------|--|--------------|
| Restricted for TABOR reserve | | 63,257 |
| Nonspendable | | 6,234 |
| Unassigned | | 4,627,197 |
| TOTAL NET POSITION | | \$ 4,696,688 |

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

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRICT
Reconciliation of the Governmental Net Position to
the Statement of Net Position
December 31, 2021

| | | |
|---|-----------|------------------|
| Total Governmental Net Position | \$ | 4,696,688 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds | | 630,375 |
| Long-term liabilities for compensated absences are not due and payable in the current period and therefore are not reported as expenditures in the funds | | (57,169) |
| Net position of Governmental Activities | <u>\$</u> | <u>5,269,894</u> |

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

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenditures and Change in Net Position - General Fund
For the Year Ended December 31, 2021

Revenues

| | |
|--------------------------------------|--------------|
| Taxes | \$ 1,444,576 |
| Charges for services | 59,074 |
| Interest on deposits and investments | (3,776) |
| Basin Wide plan | 344,497 |
| Cloud seeding program | 90,750 |
| Miscellaneous | 1,442 |
| TOTAL REVENUES | 1,936,563 |

Expenditures

| | |
|------------------------------|-----------|
| Current: | |
| Salaries & Benefits | 557,250 |
| Public Outreach | 27,125 |
| Legal & Accounting | 6,033 |
| Occupancy Expenses | 14,053 |
| Bonding & Insurance | 8,586 |
| Office Expense | 154,087 |
| Board of Directors Expenses | 5,628 |
| Board of Directors Fees | 9,680 |
| General & Administrative | 40,891 |
| Membership & Dues | 12,398 |
| Stream Monitoring | 177,818 |
| Taylor Park Project | 7,436 |
| Basin Planning & Development | 346,665 |
| Fish Recovery Program | 6,000 |
| Water Costs & Supply Program | 290,679 |
| Lake San Cristobal | 13,464 |
| Cloud seeding program | 140,962 |
| Capital Outlay | 48,780 |
| TOTAL EXPENDITURES | 1,867,535 |

NET CHANGE IN NET POSITION 69,028

Net Position January 1 4,627,659

Net Position December 31 \$ 4,696,687

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

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRICT
 Reconciliation of the Governmental Net Position to
 the Statement of Net Position
 December 31, 2021

Net Change in Net Position - Governmental Fun

| | | |
|--|-----------------|---------------|
| Amounts reported for governmental activities in the statement of activities are different because: | \$ | 69,028 |
| <p>Governmental funds report capital outlays 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 amount by which capital outlay exceeded depreciation in the current period</p> | | |
| Fixed assets added during year | \$ 48,780 | |
| Depreciation | <u>(29,761)</u> | 19,019 |
| <p>Expenses for compensated absences reported in the statement of activities do not require the use of current financial resources; and, therefore are not reported as expenditures in the governmental funds:</p> | | |
| | | (6,624) |
| Change in Net Position of Governmental Activitie | <u>\$</u> | <u>81,423</u> |

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

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRICT
Statement of Net Position
Enterprise Fund
December 31, 2021

| | <u>Water Enterprise Fund</u> |
|---|--------------------------------------|
| Assets | |
| Current Assets: | |
| Cash & equivalents | \$ 24,493 |
| Accounts Receivable | 29 |
| Investments-COLOTRUST | 289,637 |
| Total Current Assets | <u>314,159</u> |
| Capital Assets: | |
| Meridian Lake Reservoir | 942,457 |
| Dam Rehabilitation | 113,024 |
| Less Accumulated Depreciation | <u>(51,668)</u> |
| Net Capital Assets | <u>1,003,813</u> |
| Total Assets | <u>1,317,972</u> |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | <u>8,418</u> |
| Total Current Liabilities | <u>8,418</u> |
| Total Liabilities | <u>8,418</u> |
| Net Position | |
| Invested in Capital Assets, Net of Related Debt | 1,003,813 |
| Unrestricted | <u>305,741</u> |
| Total Net Position | <u>\$ 1,309,554</u> |

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

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenses and Change in Net Position
Enterprise Fund
For The Year Ended December 31, 2021

| | Water Enterprise Fund |
|--|--------------------------------------|
| Operating Revenues: | |
| Charges for Services | \$ 287,080 |
| Total Operating Revenue | <u>287,080</u> |
| Operating Expenses: | |
| Salaries & Benefits | 27,144 |
| Accounting & Legal | 293 |
| Occupancy Expenses | 505 |
| Bonding & Insurance | 1,038 |
| Office Expenses | 3,114 |
| General & Administrative | 375 |
| Board Expenses | 169 |
| Repairs & maintenance | 66 |
| Depreciation | <u>3,229</u> |
| Total Operating Expenses | <u>35,933</u> |
| Operating Income (Loss) | <u>251,147</u> |
| Non-Operating Revenues (Expenses) | |
| Interest Income | 47 |
| Miscellaneous income | - |
| Total Non-Operating Revenues (Expense) | <u>47</u> |
| Income (Loss) Before Transfers | 251,194 |
| Total Net Position, January 1 | 1,058,360 |
| Total Net Position, December 31 | <u><u>\$ 1,309,554</u></u> |

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

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRICT
Statement of Cash Flows
Enterprise Fund
For The Year Ended December 31, 2021

| | Water Enterprise Fund |
|--|--------------------------------------|
| Cash Flows From Operating Activities: | |
| Cash Received from Charges for Services | \$ 287,080 |
| Payments to and on behalf of employees | (27,144) |
| Cash Payments for Goods and Services | (4,672) |
| Net Cash Provided (Used) by Operating Activities | 255,264 |
| Cash Flows From Financing Activities: | |
| Note payable | (75,000) |
| Net Cash Used by Financing Activities | (75,000) |
| Cash Flows From Investing Activities | |
| Increase in Investment | (250,046) |
| Interest on Investments | 47 |
| Net Cash Provided (Used) by Investing Activities | (249,999) |
| Net Increase (Decrease) in Cash & Cash Equivalents | (69,735) |
| Cash Balance, January 1 | 94,228 |
| Cash Balance, December 31 | \$ 24,493 |
| Reconciling of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating Income (Loss) | \$ 251,147 |
| Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Depreciation Expense | 3,229 |
| Assets (Increased) Decreased | |
| Accounts Receivable | - |
| Liabilities Increased (Decreased) | |
| Accounts Payable | 888 |
| Total Adjustments | 4,117 |
| Net Cash Provided (Used) by Operating Activities | \$ 255,264 |

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

Upper Gunnison River Conservancy District
Notes to the Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Upper Gunnison River Water Conservancy District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below:

Reporting Entity

These financial statements present the financial position and results of operations of the District, a political subdivision of the State of Colorado created on June 1, 1959. The District is supported jointly by Gunnison, Hinsdale, and Saguache counties based upon a mill levy on real property located in the District. The purpose of the District is to represent the water interests of the residents of the Upper Gunnison River Watershed area. An eleven-member board governs the District.

These financial statements include only the District as there are no component units required to be included in accordance with GASB Statement No 14.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of governmental net position and the statement of governmental activities) report information on all the nonfiduciary activities of the District. *Governmental activities*, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

The accounts of the District are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled.

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period. The District has only one governmental fund, the General *Fund*, which is the general operating fund of the District.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The District has presented the following major proprietary fund.

Upper Gunnison River Conservancy District
Notes to the Financial Statements
December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Water Enterprise Fund

Water Enterprise Fund is used to account for the provision of water services to the residents of the Upper Gunnison River Watershed and include administration, operations and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water debt. All costs are financed through charges to customers.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

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 a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (60 days). Those revenues associated with the current period susceptible to accrual are property taxes, interest revenue, and charges for services. All other revenues are reported when cash is received. Expenditures are recorded when the related fund liability is incurred.

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

Use of Estimates

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

Property Taxes Receivable

Property taxes for the current year are levied and attached as a lien on property on January 1 of the succeeding year. They are payable in full by April 30 or in two equal installments due on February 28 and June 15. Property taxes levied in the current year and payable in the following year are reported as a receivable on December 31. However, since the property taxes are not available to pay current liabilities, the receivable is reported as deferred revenue.

Capital Assets

Capital assets are stated at cost. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as assets with an initial cost of \$2,000 or greater. Replacements, which improve or extend the lives of property, are capitalized. Maintenance, repairs, and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized.

Upper Gunnison River Conservancy District
Notes to the Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Assets – continued

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

| | |
|--------------------|------------|
| Office equipment | 5-10 years |
| Dam rehabilitation | 35 years |

The District started to depreciate the cost of the Meridian Lake Reservoir dam rehabilitation in 2006 when the asset was transferred to the enterprise fund.

Compensated Absences

Full-time employees, except for the manager and water attorney who are covered under separate contracts, earn paid time-off based upon the number of years of service. At the Board's discretion, part-time employees may earn paid time-off on a pro-rata basis. The maximum amount of paid time-off that can be accumulated is 432 hours, after 15 years of service. All earned paid time-off is payable upon termination.

Net Position

Net position represents the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use by external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes reconciliation between *fund balances* of the *governmental funds* and *Net Position of governmental activities* as reported in the government-wide statement of Net Position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between the *net change in fund balances of the governmental funds* and the *changes in Net Position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resource's measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

NOTE 3 - TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

On November 3, 1998, the electors of the District approved the retention and spending of the District's non-tax revenues for the year beginning January 1, 1999, and subsequent years, without regard to the limitations imposed by the Amendment and to impose a maximum property tax rate not to exceed 2.0 mills. The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending. A portion of the general fund's fund balance is classified as restricted for emergencies as required by the Amendment. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

Upper Gunnison River Conservancy District
Notes to the Financial Statements
December 31, 2021

NOTE 4 – BUDGETS

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

- A. Budgets are required by state law for all governmental, proprietary, and trust funds.
- B. The budget officer is required to submit a proposed budget to the Board by October 15.
- C. Public hearings are conducted by the Board to obtain taxpayer comments.
- D. Certification of the mill levies to the Board of County Commissioners and adoption of the budget and appropriations are required by December 15.
- E. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget. No changes were made to the originally adopted budget.
- F. Budget appropriations lapse at the end of each year.
- G. The District adopts budgets on a basis that is consistent with GAAP.

NOTE 5 - DEPOSITS AND INVESTMENTS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102% of the uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations secured by first lien mortgages on real property located in the state. PDPA allows the institutions 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 uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA.

On December 31, 2021, the carrying amounts of the District's deposits were \$330,244. Of the bank balances, \$330,244 is covered by FDIC depository insurance. Of the above bank balance, the General Fund's share is \$305,751 and the Water Fund's share is \$24,493.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain US 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's investment policy follows Colorado statutes. On December 31, 2021, the District's investments included certificates of deposit, funds held in Colotrust and long-term government bonds. The CD's have maturity dates ranging from April 2023 to December 2024. The long-term Government maturities range from September 2022 to May 2026.

| | Carrying Value | Cost | |
|-------------------------------------|---------------------|---------------------|----------------------|
| CD's (Level 1) | \$ 735,580 | \$ 739,000 | |
| Federal Farm Credit Banks (Level 2) | 337,840 | 345,000 | Moody's AAA; S&P AA+ |
| Federal Home Loan Bank (Level 2) | 1,440,014 | 1,460,000 | Moody's AAA; S&P AA+ |
| U.S. Treasury Notes (Level 2) | 604,786 | 604,315 | Moody's AAA |
| | <u>\$ 3,118,220</u> | <u>\$ 3,148,315</u> | |

Upper Gunnison River Conservancy District
Notes to the Financial Statements
December 31, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS – continued

The District Categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly, Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities.

Level 3: Unobservable inputs for an asset or liability.

Net Asset Value Investment

The District had invested \$1,372,197 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes, and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. These pools are not required to and are not registered with the SEC. COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's, and Moody's rating services. The General Funds share of the amount is \$492,383 and the Water fund's share is \$289,637. *These Investments are measured at Net Asset Value.*

**Upper Gunnison River Conservancy District
Notes to the Financial Statements
December 31, 2021**

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021, was as follows:

| | Balance 12/31/2020 | Increase | Decrease | Balance 12/31/2021 |
|---|-----------------------|-------------------|-------------|-----------------------|
| Governmental Funds | | | | |
| Capital assets being depreciated | | | | |
| Building and Land | \$ 759,424 | \$ - | \$ - | \$ 759,424 |
| Office Equipment | 50,829 | 18,556 | - | 69,385 |
| Vehicle | | 45,861 | - | 45,861 |
| Project in process | 15,637 | - | 15,637 | - |
| Less Accumulated Depreciation | <u>(190,514)</u> | <u>(24,020)</u> | - | <u>(214,534)</u> |
| Governmental Activities Capital Assets, Net. | <u>\$ 635,376</u> | <u>\$ 40,397</u> | <u>\$ -</u> | <u>\$ 660,136</u> |
| Business-type Activities | | | | |
| Capital assets not being depreciation | <u>\$ 942,457</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 942,457</u> |
| Capital assets being depreciated | | | | |
| Dam Rehabilitation | 113,024 | - | - | 113,024 |
| Less Accumulated Depreciation | <u>(48,439)</u> | <u>(3,229)</u> | - | <u>(51,668)</u> |
| Total Capital Assets Being Depreciated | <u>64,585</u> | <u>(3,229)</u> | - | <u>61,356</u> |
| Business-Type Activities Capital Assets, Net. | <u>\$ 1,007,042</u> | <u>\$ (3,229)</u> | <u>\$ -</u> | <u>\$ 1,003,813</u> |

Total depreciation expense for the General Fund for the year ended December 31, 2021, was \$29,761, which was charged to the General and Administrative function. Water Enterprise Fund had depreciation expense of \$3,229.

NOTE 7 - RETIREMENT PLANS

The District participates in the Colorado Retirement Association (CRA) that provides retirement benefits through a defined contribution money purchase plan (the Plan) to participating Colorado counties, municipalities, and special districts. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All employees must participate in the plan immediately after employment. The District has agreed to contribute 7% of employee compensation. The employee is required to contribute an amount equal to the District's contribution and may contribute up to 10% of compensation. Employees are 100% vested once they are eligible to participate in the Plan. The covered payroll for the Plan was \$439,127 for the year ended December 31, 2021. The District and employees, each, contributed \$30,739, which is 7% of the covered payroll. The employer can authorize the term benefits and has the right to amend those terms.

The District's employees may participate CRA's 457 deferred compensation plan if they so choose. There is no District participation in this plan.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded commercial coverage in any of the past three years.

**Upper Gunnison River Conservancy District
Notes to the Financial Statements
December 31, 2021**

NOTE 9 - COMMITMENTS

In 2007, the District entered into an agreement with Hinsdale County and the Town of Lake City to commission a feasibility study for a controlled outlet structure for Lake San Cristobal and the District. That project was on going as of December 31, 2021.

NOTE 10 - LONG TERM DEBT

The Water Enterprise Fund has an operating loan. The Fund borrowed \$75,000 from the general fund on an interest free operating loan. This loan was paid back in 2021.

The following is a detailed breakdown of those debt service payments.

| | Balance 1/1/2021 | Payments | Balance 12/31/2021 |
|----------------|---------------------|-----------|-----------------------|
| Operating Loan | \$ 75,000 | \$ 75,000 | \$ - |
| | \$ 75,000 | \$ 75,000 | \$ - |

NOTE 11 – LEASES

The District leases a copier. The lease term is 60 months at \$243 per month. Below is the remaining lease payment schedule on December 31, 2021.

| | |
|------------------------------|----------|
| 2023-2024 / \$2,915 per year | \$ 5,830 |
| 2025 | 972 |
| Total | \$ 6,802 |

NOTE 12 – FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

During 2021, the District implemented GASB 54, Fund Balance Classification. With this new GASB, the fund balance is broken into five classifications. (1) Non-spendable – not in spendable form, (2) Restricted-fund constrained by external parties, (3) Committed – constraints on use of funds imposed by the highest level of decision-making authority, in the District's case that is the Board of Directors. The funds must be established, modified, or rescinded by use of resolution of the Board. (4) Assigned – funds intended to be used for a specific purpose, where the intent is expressed by an official authorized by the governing board, in the District's case that is the General Manager and (5) Unassigned – which are funds available for any purpose. The District does not have Committed or Assigned fund classifications in 2021.

It is the District's policy to spend restricted funds first, then unrestricted funds, for the purpose for which the restriction dictates. Committed and assigned funds are spent first, when expenditure is incurred for which the commitment or assigned designation was established.

The District does have fund classifications as follows:

- Restricted which is dictated by Colorado State Law
- Nonspendable
- Unassigned.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenditures and Change in Fund Balance - Budget & Actual
General Fund
For the Year Ended December 31, 2021

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|--|--------------------|---------------------|
| Revenues | | | |
| Carryover from Prior Year | \$ 47,754 | \$ - | \$ (47,754) |
| Taxes: | | | |
| Property | 1,347,248 | 1,351,856 | 4,608 |
| Specific Ownership | 65,000 | 89,432 | 24,432 |
| Interest of Delinquent Taxes | 3,300 | 3,288 | (12) |
| Total Taxes | <u>1,415,548</u> | <u>1,444,576</u> | <u>29,028</u> |
| Cloud Seeding Program | 93,750 | 90,750 | (3,000) |
| Basin Implementation Plan | 562,000 | 344,497 | (217,503) |
| Water Contract Sales | 19,885 | 24,759 | 4,874 |
| Water Quality Monitoring | 34,315 | 34,315 | 0 |
| Earnings on Deposits & Investments | 52,500 | (3,776) | (56,276) |
| Miscellaneous | 1,000 | 1,442 | 442 |
| Total Revenues | <u>2,226,752</u> | <u>1,936,563</u> | <u>(290,189)</u> |
| Expenditures | | | |
| Salaries & Benefits | 585,618 | 557,250 | 28,368 |
| Public Outreach | 34,000 | 27,125 | 6,875 |
| Legal & Accounting | 7,500 | 6,033 | 1,467 |
| Occupancy Expenses | 13,396 | 14,053 | (657) |
| Bonding & Insurance | 10,274 | 8,586 | 1,688 |
| Office Expense | 129,106 | 154,087 | (24,981) |
| Board of Directors Expenses | 14,200 | 5,628 | 8,572 |
| Board of Directors Fees | 13,520 | 9,680 | 3,840 |
| General & Administrative | 38,500 | 40,891 | (2,391) |
| Membership & Dues | 6,565 | 12,398 | (5,833) |
| Stream Monitoring | 165,731 | 177,818 | (12,087) |
| Taylor Park Project | 6,377 | 7,436 | (1,059) |
| Basin Planning & Development | 239,000 | 346,665 | (107,665) |
| Fish Recovery Program | 3,000 | 6,000 | (3,000) |
| Water Costs & Supply Program | 804,326 | 290,679 | 513,647 |
| Lake San Cristobal | 13,464 | 13,464 | 0 |
| Contingency | 24,000 | - | 24,000 |
| Cloud Seeding Program | - | 140,962 | (140,962) |
| Capital Outlay | - | 48,780 | (48,780) |
| Total Expenditures | <u>2,108,577</u> | <u>1,867,535</u> | <u>241,042</u> |
| Excess of Revenues Over (Under) Expenditures | 118,175 | 69,028 | (49,147) |
| Fund Balance, January 1 | - | 4,627,659 | 4,627,659 |
| Fund Balance, December 31 | <u>\$ 118,175</u> | <u>\$4,696,687</u> | <u>\$ 4,578,512</u> |

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

OTHER SUPPLEMENTARY INFORMATION

UPPER GUNNISON RIVER WATER CONSERVANCY DISTRICT
Schedule of Revenues, Expenses and Change in Available Resources - Budget & Actual
Water Enterprise Fund
For the Year Ended December 31, 2021

| | Original & Final Budget | Actual | Variance |
|--|--|---------------|-----------------|
| Revenues | | | |
| Annual Meridian Dues | \$ 33,183 | \$ 287,080 | \$ 253,897 |
| Other Income | - | - | - |
| Earnings on Deposits & Investments | 850 | 47 | (803) |
| Total Revenues | 34,033 | 287,127 | 253,094 |
| Expenses | | | |
| Salaries & Benefits | 26,118 | 27,144 | 1,026 |
| Accounting & Legal | 335 | 293 | (42) |
| Occupancy Expenses | 597 | 505 | (92) |
| Bonding & Insurance | 1,021 | 1,038 | 17 |
| Office Expenses | 3,141 | 3,114 | (27) |
| General & Administrative | 1,137 | 375 | (762) |
| Board Expenses | 633 | 169 | (464) |
| Repairs & Maintenance | 200 | 66 | (134) |
| Total Expenses | 33,182 | 32,704 | (478) |
| Excess of Revenues Over (Under) Expenses | 851 | 254,423 | 253,572 |
| Reconciliation to Statement of Activities: | | | |
| Depreciation | - | (3,229) | (3,229) |
| Available Resources, January 1 | 25,826 | 1,058,360 | 1,032,534 |
| Available Resources, December 31 | \$ 26,677 | \$1,309,554 | \$ 1,282,877 |

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