

**TRINCHERA WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS**

December 31, 2022



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

TRINCHERA WATER CONSERVANCY DISTRICT
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Trinchera Water Conservancy District
Blanca, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Trinchera Water Conservancy District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2022, 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2022 the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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 District's ability to continue as a

Certified Public Accountants

going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information. Accounting

principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 07, 2023

TRINCHERA WATER CONSERVANCY DISTRICT

BASIC FINANCIAL STATEMENTS

TRINCHERA WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

December 31, 2022

	Governmental Activities	Business-Type Activities	TOTAL
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 104,305	\$ 655,296	\$ 759,601
Accounts Receivable	-	500,077	500,077
Property Taxes Receivable	30,095	19,683	49,778
Due From Other Funds	(24,918)	24,918	-
Due From Other Governments	-	55,371	55,371
Deposit on Land	-	120,000	120,000
Total Current Assets	109,482	1,375,345	1,484,827
Noncurrent Assets			
Capital Assets:			
Construction in Progress	-	821,215	821,215
Lease Assets:			
Wells, Water, and Water Storage	-	251,100	251,100
Accumulated Amortization	-	(2,555)	(2,555)
Total Noncurrent Assets	-	1,069,760	1,069,760
TOTAL ASSETS	109,482	2,445,105	2,554,587
LIABILITIES			
Current Liabilities			
Accounts Payable	-	38,250	38,250
Current Portion Lease Payable	-	110,500	110,500
Current Portion Note Payable - CWCB	-	-	-
Total Current Liabilities	-	148,750	148,750
Long-term Liabilities			
Lease Payable - CWCB	-	30,100	30,100
Note Payable - CWCB	-	514,698	514,698
Total Long-term Liabilities	-	544,798	544,798
TOTAL LIABILITIES	-	693,548	693,548
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue- Property Tax	30,095	19,683	49,778
TOTAL DEFERRED INFLOWS OF RESOU]	30,095	19,683	49,778
NET POSITION			
Net Investment in Capital Assets	-	444,562	444,562
Restricted:			
Tabor Reserve	978	-	978
Unrestricted	78,409	1,287,312	1,365,721
TOTAL NET POSITION	\$ 79,387	\$ 1,731,874	\$ 1,811,261

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

TRINCHERA WATER CONSERVANCY DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
For the Year Ended December 31, 2022

	GENERAL FUND
ASSETS	
Cash and Cash Equivalents	\$ 104,305
Property Taxes Receivable	30,095
TOTAL ASSETS	\$ 134,400
LIABILITIES	
Due to Other Funds	\$ 24,918
TOTAL LIABILITIES	24,918
DEFERRED INFLOWS OF RESOURCES - CURRENT	
Unavailable Revenue- Property Tax	30,095
FUND BALANCE	
Restricted:	
Tabor Reserve	978
Unassigned	78,409
TOTAL FUND BALANCE	79,387
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	\$ 134,400

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

TRINCHERA WATER CONSERVANCY DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended December 31, 2022

	GENERAL FUND
REVENUES	
Taxes	\$ 31,653
Interest Income	27
	31,680
TOTAL REVENUES	31,680
EXPENDITURES	
General Government	
Salaries and Fringe	9,874
Office Expense	1,340
Professional Services	1,030
Other	725
Gound Water Level Network	5,460
	18,429
TOTAL EXPENDITURES	18,429
Excess (Deficiency) of Revenues Over Expenditures	13,251
Fund Balance at Beginning of Year	66,136
Fund Balance at End of Year	\$ 79,387

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

TRINCHERA WATER CONSERVANCY DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2022

	2022
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 655,296
Accounts Receivable	500,077
Property Tax Receivable	19,683
Due From Other Funds	24,918
Due From Other Governments	55,371
Prepaid Expense	120,000
Total Current Assets	1,375,345
Noncurrent Assets	
Capital Assets:	
Construction in Progress	821,215
Lease Assets:	
Wells, Water, and Water Storage	251,100
Accumulated Amortization	(2,555)
Total Noncurrent Assets	1,069,760
TOTAL ASSETS	2,445,105
LIABILITIES	
Current Liabilities	
Accounts Payable	38,250
Leases Liability	110,500
Current Portion Note Payable - CWCB	-
Total Current Liabilities	148,750
Long-Term Liabilities	
Lease Liability	30,100
Note Payable - CWCB	514,698
Total Long-Term Liabilities	544,798
TOTAL LIABILITIES	693,548
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	19,683
Unavailable Revenue - Assessments	-
TOTAL DEFERRED INFLOWS OF RESOURCES	19,683
NET POSITION	
Net Investment in Capital Assets	414,462
Unrestricted	1,317,412
TOTAL NET POSITION	1,731,874
TOTAL LIABILITIES AND NET POSITION	\$ 2,445,105

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

TRINCHERA WATER CONSERVANCY DISTRICT
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

	2022
OPERATING REVENUE	
Taxes	\$ 13,224
Administrative Fee	60,000
Pumping Fee	485,136
Other	16,948
	575,308
OPERATING EXPENSES	
Professional Fees	83,605
Forbearance Agreements	115,735
Pipeline Project	-
Replacement Water	53,342
Miscellaneous	544
Amortization Expense	2,555
	255,781
Total operating revenue	575,308
Total operating expenses	255,781
Operating Income (Loss)	319,527
NONOPERATING REVENUE	
Interest Revenue	-
	-
Total Nonoperating Revenues (Expenses)	-
Net Income (Loss)	319,527
Net Position at Beginning of Year	968,026
Prior Period Adjustment	444,321
	1,412,347
Net Position at Beginning of Year - Restated	1,412,347
Net Position at End of Year	\$ 1,731,874

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

TRINCHERA WATER CONSERVANCY DISTRICT
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Administration and Pumping Fees	\$ 792,742
Cash Received from Taxes	13,224
Cash Received from Other Revenues	(7,970)
Cash Payments for Water Management Expenses	(289,077)
Cash Payments for Professional Services	(84,149)
	424,770
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	424,770
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(821,215)
Acquisition of Right of Use Asset	(251,100)
Lease Payments	140,600
Loan Proceeds	514,698
	(417,017)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(417,017)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-
Net Increase (Decrease) in Cash and Cash Equivalents	7,753
Cash and Cash Equivalents, Beginning of Year	647,543
Cash and Cash Equivalents, End of Year	\$ 655,296
OPERATING INCOME (LOSS)	\$ 319,527
Adjustments to Reconcile Operating Income to Net Cash Provided (used) by Operating Activities:	
Amortization Expense	2,555
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	302,977
(Increase) Decrease in Due From other Funds	(24,918)
(Increase) Decrease in Due From Other Governments	(55,371)
(Increase) Decrease in Prepaid Expenses	(120,000)
Increase (Decrease) in Unavailable Revenue	-
Increase (Decrease) in Accounts Payable	-
	424,770
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 424,770

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

TRINCHERA WATER CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Trinchera Water Conservancy District (the District) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The District was formed by decree of the District Court in 1968. The District is governed by a board of directors appointed by the district judge for Costilla County. In September 2008, the Trinchera SubDistrict was decreed organized by the District Court. The District Court for Water Division No. 3 (“Water Court”) entered an order confirming the SubDistrict’s ability to submit a plan of water management.

The SubDistrict was created to offer services to conserve and stabilize the water supply and groundwater storage in the aquifer underlying its boundaries for existing irrigation, domestic, municipal, power, manufacturing, and other beneficial uses within its boundaries.

Component Units

The District’s combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District’s reporting entity, as set forth in Section 2100 of GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization’s board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District

Based on the aforementioned criteria, the District has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the District. Mainly taxes and intergovernmental revenues support governmental activities and fees paid by water users support business type activities.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

TRINCHERA WATER CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

The District reports the following major governmental fund:

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government.

The District reports the following major enterprise fund:

- The **Enterprise Fund** accounts for fees and expenses for operating, financing, and maintaining the Subdistrict.

Certain eliminations have been made as prescribed by the GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated.

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. The District's proprietary fund includes the Groundwater Management SubDistrict. Sources of revenue consist of administration fees, and pumping fees assessed on landowners within the Subdistrict.

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- Current year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are accrued.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards

TRINCHERA WATER CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities subject to this same limitation.

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with an initial maturity of three months or less.

Receivables/Payables Due To/From Other Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds."

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

The District defines capital assets with an initial, individual cost of more than \$5,000 and a useful life of more than one year. Depreciation is computed on a straight-line basis over the estimate useful life of the assets. Estimated useful lives may vary depending on the asset. Capital assets are recorded at historical cost or estimated historical cost if purchase or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the District. Property tax revenue is recognized by the District to the extent it results in a current receivable.

The 2022 property tax levy due on January 1, 2023, has been recorded as a receivable and corresponding deferred inflow of resources in the financial statements.

Assessments – Groundwater Management SubDistrict

Assessments attach as an enforceable lien on property as of January 1 each year. The Groundwater Management SubDistrict assesses fees on overall groundwater consumptive use allocation. The SubDistrict assessed an administrative fee of \$500 per well and a pumping fee of \$30.36 per acre foot of which 83% is applied against the

TRINCHERA WATER CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

current year allocation and 17% is applied against the average past consumptive use based on diversion records between 2009 and 2020.

The aforementioned fees are based on several variables and are subject to an appeals process by the landowner. The appeal can cause an adjustment to revenue.

Deferred Inflows

In addition to liabilities, the statement of net position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Encumbrances

The District does not record purchase orders in the accounting system. Unfulfilled purchase commitments outstanding at the end of the budget year are re-budgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the five categories:

- *Nonspendable Fund Balance*- are amounts that cannot be spent because they are not in spendable form- such as inventory and prepaid insurance.
- *Restricted Fund Balance*- are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

TRINCHERA WATER CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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- *Committed Fund Balance*- are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Directors, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removed those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance*- are amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Directors or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance*- are amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Leases

Lessee: The District recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease terms, (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the leases. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

TRINCHERA WATER CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

Lease assets are reported with other capital asset and lease liabilities are reported with long-term debt on the statement of net position.

New Accounting Pronouncements

During fiscal year 2022, the District adopted the provisions of GASB Statement No. 87, *Leases*, that establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. The standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under the statement, a lessee is required to recognize a lease liability and a tangible right to use asset, and a lesser is required to recognize a lease receivable, and a deferred inflows of resources. There is no effect on fund balance or net position as a result of the implementation of this standard.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Trinchera Water Conservancy District follows the procedures set forth in the Colorado Local Budget Law when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The District did not adopt supplemental appropriations during 2022. All budget amounts presented reflect the original budget and the final amended budget if applicable.

NOTE 3 CASH AND DEPOSITS

Cash and Deposits

A summary of Cash and Deposits for the District are as follows:

Cash in Bank	<u>\$ 759,601</u>
	<u><u>\$ 759,601</u></u>

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held. The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits

TRINCHERA WATER CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. All deposits in 2022 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

Custodial Credit Risk

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 does not have a deposit policy for custodial credit risk. As of December 31, 2022, \$616,493 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2022, the District had an estimated property tax receivable in the General Fund of approximately \$30,095 and the SubDistrict of \$19,683.

NOTE 5 ACCOUNTS RECEIVABLE

The Grounwater Management SubDistrict assessed fees on September 21, 2022. The SubDistrict is still refining the assessment computation and has an estimated uncollective amount of \$0. Assessments receivable consist of the following fees:

Previous year uncollected	\$ 11,600
2022 Assessments	488,477
Total Accounts Receivable	<u>\$ 500,077</u>

NOTE 6 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of December 31, 2022, the SubDistrict had \$55,371 due from federal, state, or local governments, reflected as due from other governments in the accompanying basic financial statements.

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

The District reports interfund balances between the District and the SubDistrict. The balances result from time lags between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

TRINCHERA WATER CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

Interfund receivable and payable balances at December 31, 2022 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Sub District Fund	\$ 24,918
		\$ 24,918

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in Progress	\$ -	\$ 821,215	\$ -	\$ 821,215
Total capital assets not being depreciated	-	821,215	-	821,215
Lease assets not being amortized				
Wells and Water	-	200,000	-	200,000
Total lease assets not being amortized	-	200,000	-	200,000
Lease assets being amortized				
Water Storage	-	51,100	-	51,100
Total lease assets being amortized	-	51,100	-	51,100
Less accumulated amortization for:				
Water Storage	-	2,555	-	2,555
Total accumulated amortization	-	2,555	-	2,555
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ -	\$ 1,069,760	\$ -	\$ 1,069,760

NOTE 9 LONG-TERM DEBT

Changes in Long-Term Debt

On March 30, 2022, the Colorado Water Conservation Board loaned the District \$986,770, including a loan origination fee of 1%, or \$9,770. This loan was obtained to provide a sufficient water source to replace stream depletions resulting from groundwater withdrawals and comply with the State Engineer's Office Rules in Water Division No. 3. As of December 31, 2022, the District has drawdown \$514,698 of the loan balance. The payment initiation date and maturity date will be stated once substantial project completion is done. As of December 31, 2022 the loan has not been formally closed and therefore a payment schedule is not currently available.

TRINCHERA WATER CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

The following is a summary of long-term debt transactions for the year ended December 31, 2022:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
<i>Business-type activities:</i>				
Leases	\$ -	\$ 251,100	\$ 110,500	\$ 140,600
Total Business-type activities	\$ -	\$ 251,100	\$ 110,500	\$ 140,600

The Groundwater Management SubDistrict enters into leases to access wells, water rights, and water storage. The SubDistrict has recognized a lease liability as of December 31, 2022 for the terms of the leases summarized below:

Natural Prairie Lease – On March 15, 2022, the SubDistrict entered into a three year lease agreement with Natural Prairie Colorado Farmland Holdings LLC. The lease does not have a renewal option. The two payments are not subject to adjustment.

San Luis Valley Irrigation District - On April 1, 2022, the SubDistrict entered into a 5 year lease agreement with the San Luis Valley Irrigation District. The SubDistrict has the option to review for an additional five year term following the end of the initial five year term. Annual payments are subject to adjustment by applying the CPI. In addition, the SubDistrict will also pay \$25 per acre foot of storage used in excess of the firm storage amount which has not been included in the recognized lease liability.

The future minimum lease payments for all leases are as follows:

	Principal	Interest	Total
2023	\$ 109,944	\$ 556	\$ 110,500
2024	10,080	420	10,500
2025	10,218	282	10,500
2026	10,358	142	10,500
	\$ 140,600	\$ 1,400	\$ 142,000

NOTE 10 RELATED PARTY TRANSACTIONS

The SubDistricts responsibilities include the creation of a plan of water management and to work in conjunction with the Trinchera Water Conservation District. The board members are made up of landowners or legal representatives of the landowners within the boundaries of the SubDistrict. As part of the Groundwater Management there are programs to incentivize the reduction of irrigation water use and restore the critical balance between supply and demand. In the ordinary course of business, the SubDistrict may have transactions with its board members. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not present any unfavorable features to the SubDistrict.

TRINCHERA WATER CONSERVANCY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 11 TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3% of fiscal year spending. This Emergency Reserve has been presented as a reservation of fund balance in the General Fund where applicable. The entity is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

NOTE 13 SUBSEQUENT EVENTS

During 2023, the SubDistrict purchased property with financing from CWCB. The total purchase price of the property is \$2,412,790 and the lease payment of \$120,000 made during the current fiscal year will be applied against the balance.

NOTE 14 PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that \$38,250 in forbearance payments were recorded as current year expenses and \$482,571 in 2021 assessment revenue was not recorded in the Enterprise Fund. To correct this error, the beginning net position of the Enterprise Fund of \$968,026, as originally reported, has been increased to \$1,412,347.

TRINCHERA WATER CONSERVANCY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund.

TRINCHERA WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2022

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 29,208	\$ 29,208	\$ 31,653	\$ 2,445
Interest Income	640	640	27	(613)
TOTAL REVENUES	<u>29,848</u>	<u>29,848</u>	<u>31,680</u>	<u>1,832</u>
EXPENDITURES				
General Government				
Salaries and Fringe	16,750	16,750	9,874	6,876
Travel	500	500	-	500
Office Expense	2,225	2,225	1,340	885
Professional Services	5,700	5,700	1,030	4,670
Other	1,350	1,350	725	625
Gound Water Level Network	4,300	4,300	5,460	(1,160)
Special Projects	2,000	2,000	-	2,000
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>32,825</u>	<u>32,825</u>	<u>18,429</u>	<u>14,396</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,977)</u>	<u>(2,977)</u>	<u>13,251</u>	<u>16,228</u>
Fund Balance at Beginning of Year	<u>66,714</u>	<u>66,714</u>	<u>66,136</u>	<u>(578)</u>
Fund Balance at End of Year	<u>\$ 63,737</u>	<u>\$ 63,737</u>	<u>\$ 79,387</u>	<u>\$ 15,650</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is measured on the GAAP basis.

TRINCHERA WATER CONSERVANCY DISTRICT

SUPPLEMENTARY INFORMATION

TRINCHERA WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
GROUNDWATER MANAGEMENT SUBDISTRICT
For the Year Ended December 31, 2022

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
OPERATING REVENUE				
Taxes	\$ 19,392	\$ 19,392	\$ 13,224	\$ (6,168)
Administrative Fee	92,500	92,500	60,000	(32,500)
Pumping Fee	450,360	450,360	485,136	34,776
Other	-	-	16,948	16,948
Total operating revenue	<u>562,252</u>	<u>562,252</u>	<u>575,308</u>	<u>13,056</u>
OPERATING EXPENSES				
Professional Fees	158,000	158,000	83,605	74,395
Forbearance Agreements	-	-	115,735	(115,735)
Pipeline Project	986,770	986,770	-	986,770
Replacement Water	948,269	948,269	53,342	894,927
Lease Payments	-	-	-	-
Debt Service	40,508	40,508	-	40,508
Miscellaneous	450	450	544	(94)
Amortization Expense	-	-	2,555	(2,555)
Total operating expenses	<u>2,133,997</u>	<u>2,133,997</u>	<u>255,781</u>	<u>1,878,216</u>
Operating income (loss)	<u>(1,571,745)</u>	<u>(1,571,745)</u>	<u>319,527</u>	<u>1,891,272</u>
NONOPERATING REVENUE (EXPENSES)				
Loan Proceeds	986,770	986,770	-	(986,770)
Total nonoperating revenues (expenses)	<u>986,770</u>	<u>986,770</u>	<u>-</u>	<u>(986,770)</u>
Change in Net Position - Budget Basis	<u>(584,975)</u>	<u>(584,975)</u>	<u>319,527</u>	<u>904,502</u>
Net Position at Beginning of Year	653,602	653,602	968,026	314,424
Prior Period Adjustment	-	-	444,321	444,321
Net Position at Beginning of Year - Restated	<u>653,602</u>	<u>653,602</u>	<u>1,412,347</u>	<u>758,745</u>
Net Position at End of Year	<u>\$ 68,627</u>	<u>\$ 68,627</u>	<u>\$ 1,731,874</u>	<u>\$ 1,663,247</u>