
Colorado River Water Conservation District
Financial Statements

December 31, 2023

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**Colorado River Water Conservation District
2023 Board of Directors**

Name	Position	County
Kathy Chandler-Henry	President	Eagle
Marc Catlin	Vice President	Montrose
Mark Roeber	Director	Delta
Steve Beckley	Director	Garfield
Mike Ritschard	Director	Grand
Kathleen Curry	Director	Gunnison
Stan Whinnery	Director	Hinsdale
Scott McInnis	Director	Mesa
Tom Gray	Director	Moffat
John M. Ely	Director	Pitkin
Alden “Al” Vanden Brink	Director	Rio Blanco
Martha “Marti” Whitmore	Director	Oury
Doug Monger	Director	Routt
Rebie Hazard	Director	Saguache
Taylor Hawes	Director	Summit

Colorado River Water Conservation District General Background

GENERAL BACKGROUND AND TRANSMITTAL

A. BACKGROUND

The Colorado River Water Conservation District was created by the Colorado General Assembly in 1937. The River District boundary includes all or parts of 15 West Slope counties and encompasses all of the Colorado River main-stem, Yampa, White, Green, Gunnison, Uncompahgre river drainages and part of the Dolores River drainage within the state of Colorado.

Under the 1937 legislation, the River District included Summit, Eagle, Garfield, Mesa, Pitkin, Delta, Gunnison, and Montrose Counties. In 1955, Grand, Moffat, Routt, Rio Blanco, and Ouray Counties joined the District and in 1961, the portions of Hinsdale and Saguache Counties within the Colorado River Basin became a part of the River District.

Within Colorado, there are three other water conservation districts, the Southwestern Water Conservation District, which was created in 1941, the Rio Grande Water Conservation District, created in 1961, and the Republican River Water Conservation District, created in 2004.

B. GENERAL POWERS AND MISSION

The River District's general powers and mission are described in its legislative charter. The legislative declaration states:

37-46-101. Legislative declaration. "In the opinion of the general assembly of the state of Colorado, the conservation of the water of the Colorado river in Colorado for storage, irrigation, mining, and manufacturing purposes and the construction of reservoirs, ditches, and works for the purpose of irrigation and reclamation of additional lands not yet irrigated, as well as to furnish a supplemental supply of water for lands now under irrigation, are of vital importance to the growth and development of the entire district and the welfare of all its inhabitants and that, to promote the health and general welfare of the state of Colorado, an appropriate agency for the conservation, use, and development of the water resources of the Colorado river and its principal tributaries should be established and given such powers as may be necessary to safeguard for Colorado, all waters to which the state of Colorado is equitably entitled under the Colorado river compact."

The statute gives the River District broad powers to carry out its declaration. These powers are described in detail in § 37-46-107 (a) and through (l). In general, the River District can appropriate water rights, litigate water matters, 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.

Mission Statement

To lead in the protection, conservation, use and development of the water resources of the Colorado River basin for the welfare of the District, and to safeguard for Colorado all waters of the Colorado River to which the state is entitled.

C. BOARD OF DIRECTORS

The District’s organic legislation states that the District shall be managed and controlled by a board of 15 directors, one from each of the 15 member counties. Board members are appointed by the board of county commissioners from each county and serve three-year terms. Each January five board members are up for appointment. In January 2023 those counties were Mesa, Moffat, Pitkin, Routt and Saguache Counties.

The Board elects a president and vice president and appoints a secretary (normally the General Manager) and treasurer. In 2002, the Board adopted a two-term limit commencing in 2003, for its president and vice president.

The Board utilizes committees as necessary. The duties of the officers and procedures for committee meetings are further described in the District bylaws.

Regular Board meetings are traditionally held in Glenwood Springs beginning on the third Tuesday of January, April, July and October and run for one or two days. For 2024 the start dates are:

- January 16, 2024**
- April 16, 2024**
- July 16, 2024**
- October 15, 2024**

The Board also holds special meetings and tours as necessary, including a budget workshop typically scheduled in mid-September.

D. RESOURCES

The available River District resources include its water resources (projects, contracts, absolute and conditional water rights), staff resources and budget resources.

The River District owns and operates two reservoir projects, Wolford Mountain Reservoir, located on Muddy Creek in the Colorado River Basin north of Kremmling and Elkhead Reservoir, located on Elkhead Creek in the Yampa River basin near Craig. It also has contracted interests in water through its shares in the Grand County Mutual Ditch and Reservoir Company, Eagle Park Reservoir, the Homestake Reservoir exchange, water from the Twin Lakes Reservoir and Canal Co. enlargement decree, contracts with the Bureau of Reclamation for Ruedi Reservoir water and a contracted interest in the Taylor Park Reservoir second fill.

The River District financial statements are divided into “Governmental Activities” and “Business-Type Activities”. The Governmental Activities are financed through the Board’s authority to levy taxes as provided in:

37-46-109. Authority of board to levy taxes. (1) (a) In addition to other means of providing revenue for the district, the board of directors has the power to fix the amount of an assessment upon the property within the district, not to exceed two and one-half mills for every dollar of valuation for assessment therein as a level or general levy to be used for the purpose of paying the expenses of organization, for surveys and plans, to pay the salaries of officers and the per diem allowed to directors and their expenses, for the costs and expenses of construction or partial construction of any project designed or intended to accomplish the utilization of water, by storage or otherwise, for any beneficial uses or purposes, and for other incidental expenses which may be incurred in the administration of the affairs of the district.

The Governmental Funds are further divided into a “General Fund”, a “Capital Projects Fund”, and a “Community Funding Partnership Fund”.

The River District’s Business-Type Activities are managed by an enterprise formally named the Colorado River Water Projects Enterprise of the Colorado River Water Conservation District. The Board of Directors of the River District is the Board of Directors of its Enterprise. The River District and its Enterprise share the same staff.

The Enterprise is a “government-owned business” as referred to in Colorado Constitution Article X, § 20, a/k/a “TABOR (Taxpayer Bill of Rights)” or “Amendment One”. Therefore, it is subject to judicial interpretations of TABOR and the provisions of the Water Activity Enterprise Act.

The Enterprise develops and operates the District’s water supply assets. The Enterprise’s water supplies are contracted for beneficial use pursuant to a water marketing policy. The Enterprise currently markets three basic supplies: (1) Colorado River supply, which is provided from the Enterprise’s Wolford Mountain Reservoir Project and the Enterprise’s Ruedi Reservoir (Bureau of Reclamation) water contracts; (2) Eagle River supply, which is provided from the Enterprise’s interest as a shareholder in Eagle Park Reservoir Company and that Company’s sources of supply (Eagle Park Reservoir and a Homestake Reservoir exchange supply), and (3) Yampa River supply which is provided from the Enterprise’s Elkhead Reservoir.

A full-time staff of 25 consisting of managers, general and senior counsels, water resource engineers and specialists, project caretakers, public affairs, legal and administrative support personnel carry out the activities of the District as directed by the Board. Personnel costs are split between the Enterprise and General Funds based on the amount of time spent working within each fund.

REGIONAL / ECONOMIC CONDITIONS AND OUTLOOK

A. REGIONAL SETTING

The River District covers a large and diverse area. There are four major river basins within the district: the Yampa, the White, the Gunnison and the Colorado main stem. The River District’s economics are also quite diverse. It includes areas that are highly dependent on energy production, agriculture and others that are dependent upon winter and summer recreation and a second home market. Resort development in Summit County, Aspen, Gore Creek and Eagle River Valleys, Winter Park, Steamboat Springs, and Crested Butte areas have resulted in a significant increase in the District’s tax base in the last decade.

The 2023 valuations were the highest values the District has seen and are 29% above the prior peak in 2009. The 2023 residential real estate values within the District were a beneficiary of the pandemic related migration from crowded cities to rural, recreational areas. There is significant evidence that the increase witnessed overall value of residential properties within the District in 2023 began to accelerate significantly in the later part of 2021 and into 2022.

The primary agricultural areas within the District include the Uncompahgre Valley, Grand Valley, Gunnison River Basin, Upper White River Basin and the Lower Yampa River Basin.

The major urban center within the River District is Grand Junction with a population just under 70,000. Other towns with populations of over 10,000 include Montrose, Craig, Delta, Rifle, Steamboat Springs and Glenwood Springs. There are numerous other smaller towns and cities within the District.

B. POPULATION TRENDS

The population of the 15 River District counties is in the following table:

From 1980 to 2022, the population of the River District increased by 105%. This is a greater rate of growth than the six counties in the Denver Metro area, which increased from 1,618,461 to 2,924,270 (81%) or the state of Colorado which increased from 2,889,964 to 5,838,622 (102%).

<u>County</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2022</u>	<u>% Chg.1980-2022</u>
Delta	21,225	20,980	27,834	30,889	31,160	31,571	48.74%
Eagle	13,320	21,928	41,659	52,057	55,624	55,291	315.10%
Garfield	22,514	29,974	43,791	56,150	61,723	62,254	176.51%
Grand	7,475	7,966	12,445	14,790	15,707	15,748	110.68%
Gunnison	10,689	10,273	13,956	15,309	16,944	17,269	61.56%
Hinsdale	408	467	790	843	795	779	90.93%
Mesa	81,530	93,145	116,225	147,155	155,910	158,534	94.45%
Moffat	12,133	11,357	13,184	13,806	13,283	13,166	8.51%
Montrose	24,352	24,423	33,432	41,188	42,810	43,799	79.86%
Ouray	1,925	2,295	3,742	4,446	4,880	5,088	164.31%
Pitkin	10,338	12,661	14,872	17,156	17,363	16,856	63.05%
Rio Blanco	6,255	5,972	5,986	6,617	6,532	6,558	4.84%
Routt	13,404	14,088	19,690	23,439	24,840	25,027	86.71%
Saguache	3,935	4,619	5,917	6,144	6,409	6,616	68.13%
Summit	8,848	12,881	23,598	28,073	31,013	30,583	245.65%
TOTALS	238,351	273,029	377,121	458,062	484,993	489,139	105.22%

Management believes that the most recent population trends both within the District and within Colorado as a whole have grown at rates above the historical average, especially in the 2020-2023 timeframe. The Colorado State Demographer’s office is forecasting a potential slowdown in growth rates for most of Colorado, however, management of the District believes there are many factors which support the projection that growth rates within the District are likely to continue to increase in the near future. Meeting the water needs of the District population, which includes the maintenance of stream flows necessary for a thriving recreation-based economy, will continue to challenge the District’s financial and personnel resources. Continued growth along the Colorado Front Range will continue to create significant pressure for the diversion of additional Colorado River water to the Front Range resulting in more demands on District staff and Board.

C. DISTRICT TAX BASE AND TAX REVENUES

Since the mid 1990’s the River District’s tax base has grown at a significant rate. A graph of the District mill levies, and the total property taxes collected are shown in Figure A and Figure B. Prior to 2021, certain provisions of the Colorado constitution (commonly referred to as TABOR), limited the increase in tax revenues and expenditures to the rate of inflation plus new growth.

Consequently, prior to 2021, the mill levy changed as an inverse relationship to the change in assessed valuation.

In November 2020, voters in the District approved Ballot Issue 7A, which, starting in 2021 increased the levy to half a mill and eliminates the spending and revenue caps under TABOR. This allows the District to keep and spend state and local grant funds, as well as revenue generated from increased valuations that exceed the revenue cap contained in TABOR. The increase in mill raised approximately \$4.9 million in additional revenue in its first year. The District’s Fiscal Implementation Plan allocates approximately 86% of the initial increased revenue, or \$4.2 million, annually for the Community Funding Partnership Fund, which will fund projects identified as priorities by the District and local communities within the District.

FIGURE A: ASSESSED VALUATION VS. MILL LEVY

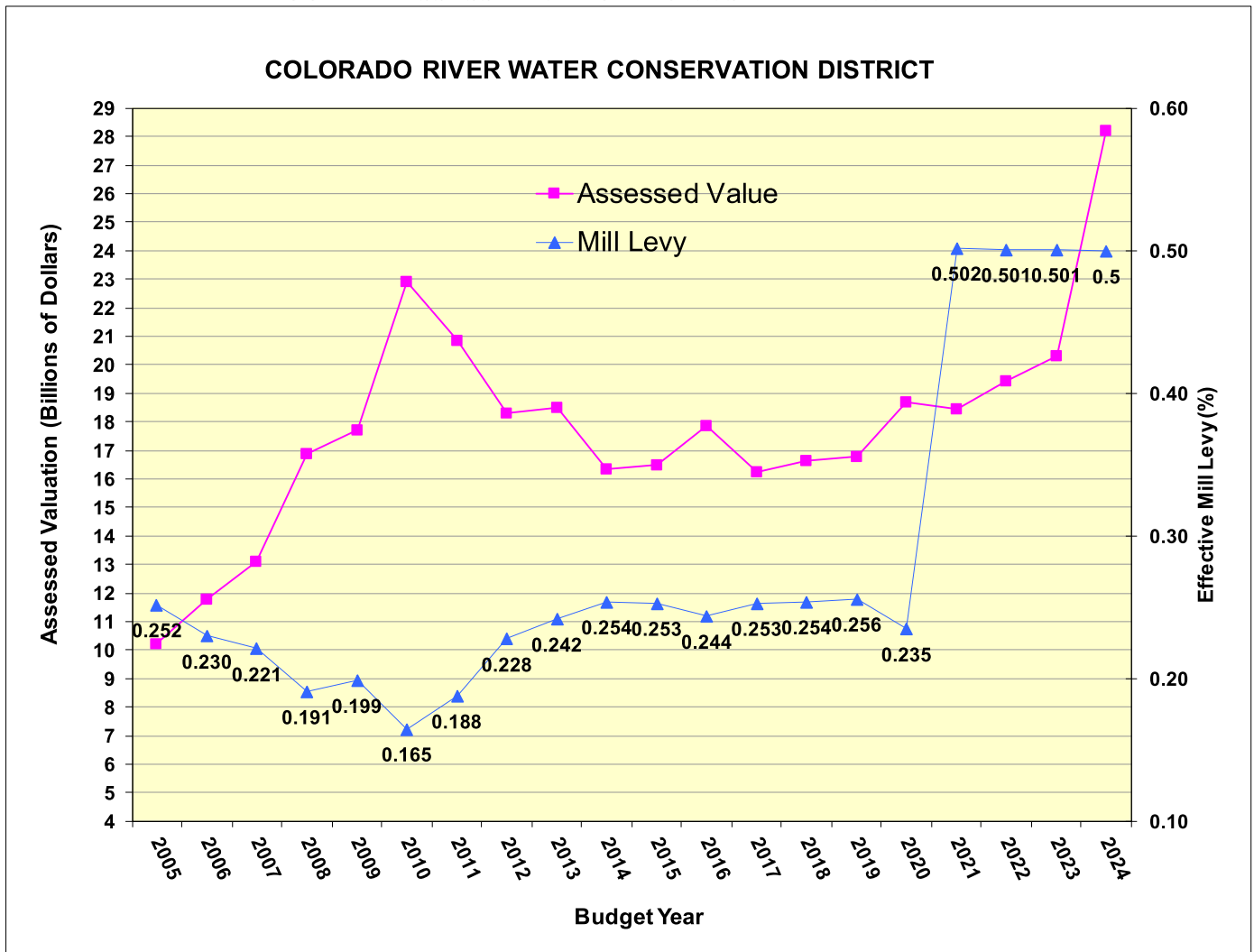
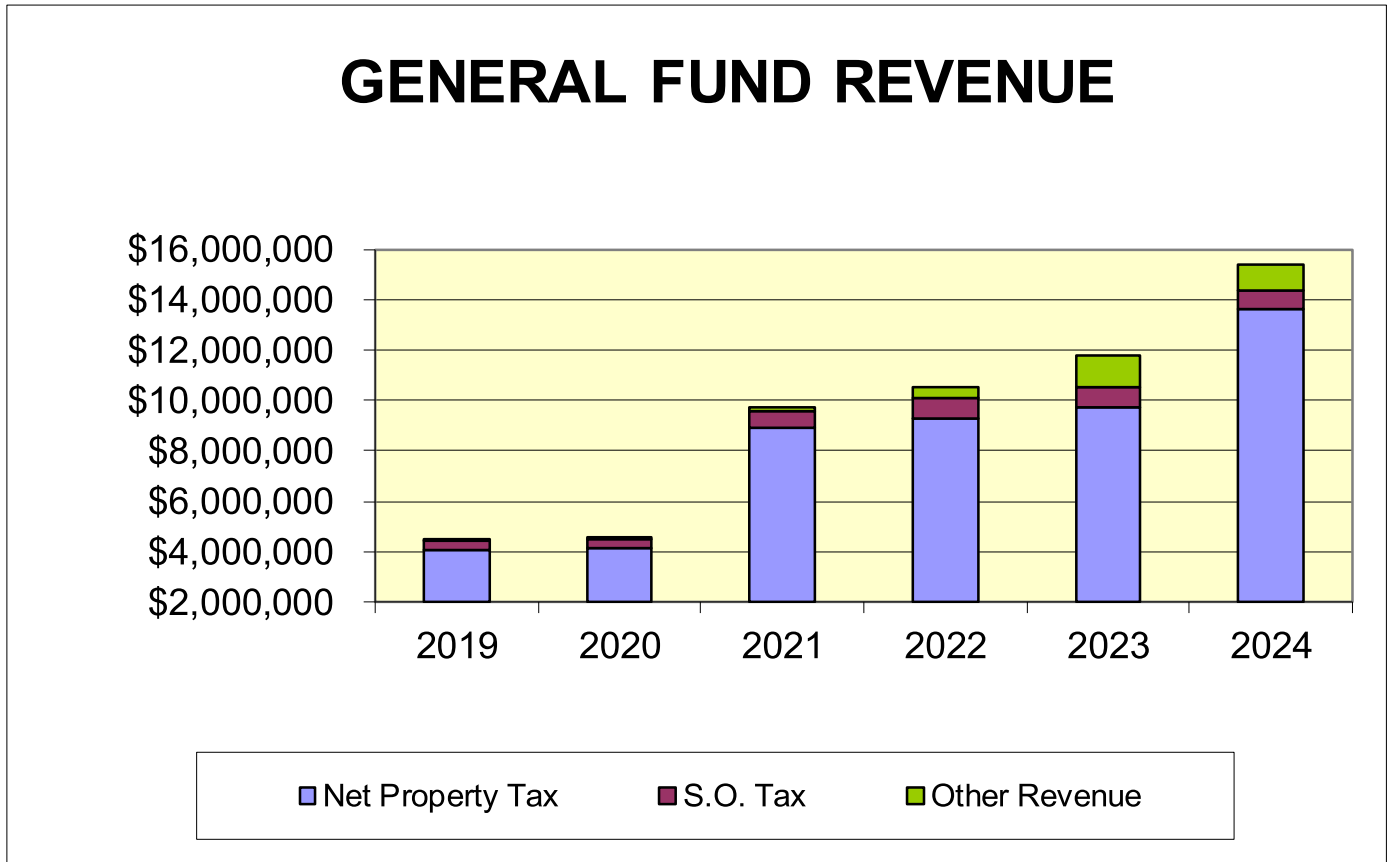


FIGURE B: BUDGETED GENERAL REVENUES



In addition to the property taxes, the River District has revenues from the specific ownership tax and interest. In 2023 the River District collected \$792,155 in specific ownership taxes (a slight increase over 2022). The increase in other revenue is attributed to grants and project contributions, which was not allowed to be included prior to the passage of Ballot Issue 7A in November 2020.

Collections of the specific ownership (S.O.) tax, which make up 7% of the District’s total General Fund revenues, are highly dependent on the purchase of new personal vehicles and business equipment. The S.O. tax collection is quite variable and difficult to predict from year to year. Interest earnings only make up a small portion of District’s General Fund revenues (less than 1.5%).

D. ENTERPRISE REVENUES

The District’s Enterprise revenues are primarily based on water sales and lease revenues. Prior to 2020, the primary source of income to the Enterprise was a \$3 million per year lease payment from the Denver Water Board. These payments were made biannually on January 1st and July 1st in the amount of \$1.5 million. In January 2020, the final lease payment of \$1.5 million was received. Denver Water now holds title to a 40.0% interest in the capacity and water storage of the Enterprises’ primary asset – Wolford Mountain Reservoir. Starting in 2021, Denver Water

pays a 45.3% share of the actual costs of operating, maintaining, and repairing the Wolford Mountain Reservoir.

The Enterprise receives revenue from its water marketing program. Under the water marketing program, the Enterprise has 8,100 acre feet of Wolford Mountain Reservoir water, 432 acre feet of Eagle River Projects water, 4,457 acre feet of Elkhead Reservoir water, and 6,730 acre feet of Ruedi Reservoir water.

Each year the water marketing contract pricing is analyzed, and recommendations are presented to the Board. Any increases are subject to the following contractual parameters: Pre-2006 water contracts can be adjusted for the operation and maintenance component every five years. The adjustment is limited by the ‘Denver-Aurora-Lakewood’ (formerly the ‘Denver-Boulder-Greeley’) Consumer Price Index. Post-2006 contracts can be adjusted on an annual basis. In January of 2015, the River District sold Tri-State Generation & Transmission Associates, Inc. 2,500-acre feet of permanent storage capacity in Elkhead Reservoir for \$4,800,000. This is not reflected on the 2014-15 line of the table below. It is reflected in the available acre feet of Elkhead Reservoir water noted above (6,957-2,500=4,457). In January 2024, the Board approved an adjustment to the post-2006 water contracts by 6.2%.

The following table shows the total water sold through contracts and water sales revenues received or billed for water project years for 2003-2023.

<u>Water Project Year</u>	<u>Water Under Contract</u>	<u>Revenue Received</u>
2003/2004	4178 a.f.	\$415,597
2004/2005	4106 a.f.	\$737,643
2005/2006	3758 a.f.	\$782,440
2006/2007	4131 a.f.	\$825,631
2007/2008	4428 a.f.	\$719,347
2008/2009	5406 a.f.	\$719,804
2009/2010	4884 a.f.	\$832,590
2010/2011	6105 a.f.	\$952,206
2011/2012	6129 a.f.	\$1,086,718
2012/2013	7207 a.f.	\$1,330,562
2013/2014	7226 a.f.	\$1,501,421
2014/2015	7229 a.f.	\$1,572,562
2015/2016	6608 a.f.	\$1,342,903
2016/2017	6075 a.f.	\$1,212,065
2017/2018	5155 a.f.	\$1,187,170
2019/2020	5646 a.f.	\$1,438,987
2020/2021	5167 a.f.	\$1,515,892
2021/2022	7336 a.f.	\$1,634,135
2022/2023	6754 a.f.	\$1,664,416
2023/2024	6408 a.f.	\$1,541,506

There is not a direct correlation between the acre feet of water under contract and revenue received. The table reflects a pricing strategy that ended in 2007. The strategy allowed water

users to pay the Capital Recovery fee up front in their contract period with only the Operation and Maintenance fee (O&M) in subsequent contract years. A significant number of water users took advantage of this pricing strategy. Management expects that the demand for Enterprise water will continue to hold steady. While the water supply available for purchase in certain areas will be limited, the River District continues to take advantage of opportunities to increase its inventory.

Operating successful water projects will present new challenges to both management and the Board. Enterprise projects will need to be carefully analyzed and pricing strategies developed to cover, on a long-term basis, the full costs of operating the Enterprise's various projects and to provide a source for financing additional projects to meet future water needs.

MAJOR INITIATIVES AND ISSUES

A. REGIONAL HYDROLOGIC CONDITIONS

Beginning in the summer of 2000, the entire state of Colorado, including the District, began a period of extended and severe drought linked definitively to climate change. While there have been short periods of wet hydrology, in general, the last 23 years have been trending drier and drier. Wolford Mountain Reservoir filled and spilled 13 years out of the last 23 and is expected to fill this year.

The winter of 2022 – 2023, was one of the wettest winter seasons in most of the Colorado River basin since possibly 2011. The average winter snowpack from the winter of 2023 – 2024, coupled with the wet spring has made for above average soil moisture conditions which helped create a healthy carryover storage for most reservoirs in the District. However, climate scientists are predicting that the summer of 2024 will exceed 2023 as the warmest year ever for the planet, so this may just be temporary relief and any additional extension of drought conditions may require the River District to redirect resources to help mitigate drought related problems.

The multi-decadal drought has shown up in the Yampa River Basin with particular emphasis. The mainstem of the Yampa had not experienced a shortage of water so severe that a water rights administration was necessary prior to 2018. Since 2018, the Division of Water Resources has placed a call on the lower Yampa for varying durations in 2018, 2020, 2021 and 2022. The District has utilized its water resources in Elkhead Reservoir to mitigate the impacts on Yampa River watershed water users in 2020 and 2021. The District utilized its Community Funding Partnership fund in 2021 to fund the release of Enterprise water. Because Elkhead Reservoir is a relatively small bucket in a larger basin it has and is in the future expected to fill even in dry years.

The following graph (Figures C) show storage levels in the District's Wolford Mountain Reservoir from January 2005 through January 2024. The second graph (Figure D) shows reservoir levels at Lake Powell, a large reservoir operated by the United States Bureau of Reclamation. The drop in storage at Lake Powell is indicative of the multi-decadal drought conditions throughout the Upper Colorado River region, in addition to unabated consumptive use throughout the Lower Colorado River region.

FIGURE C: WOLFORD MOUNTAIN RESERVOIR STORAGE

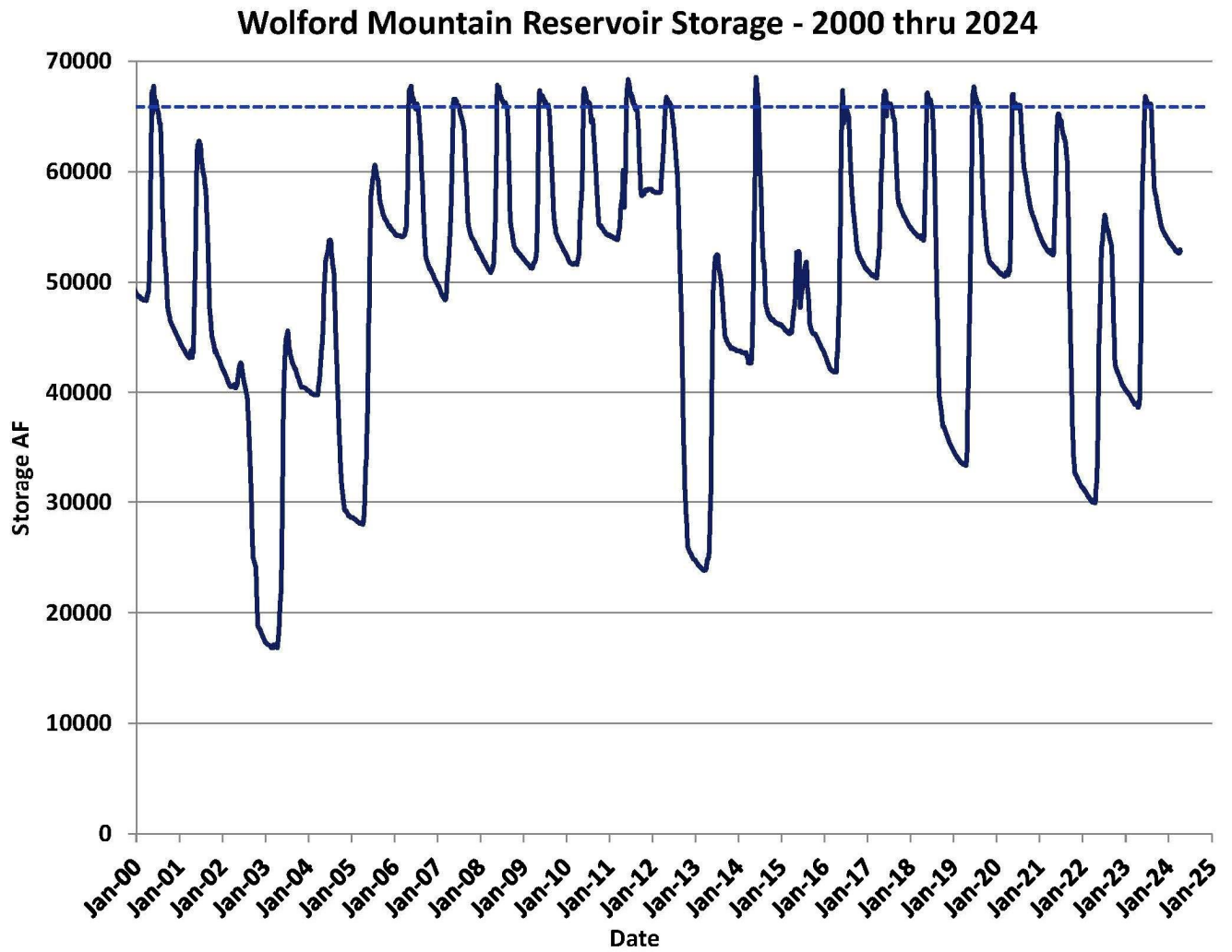
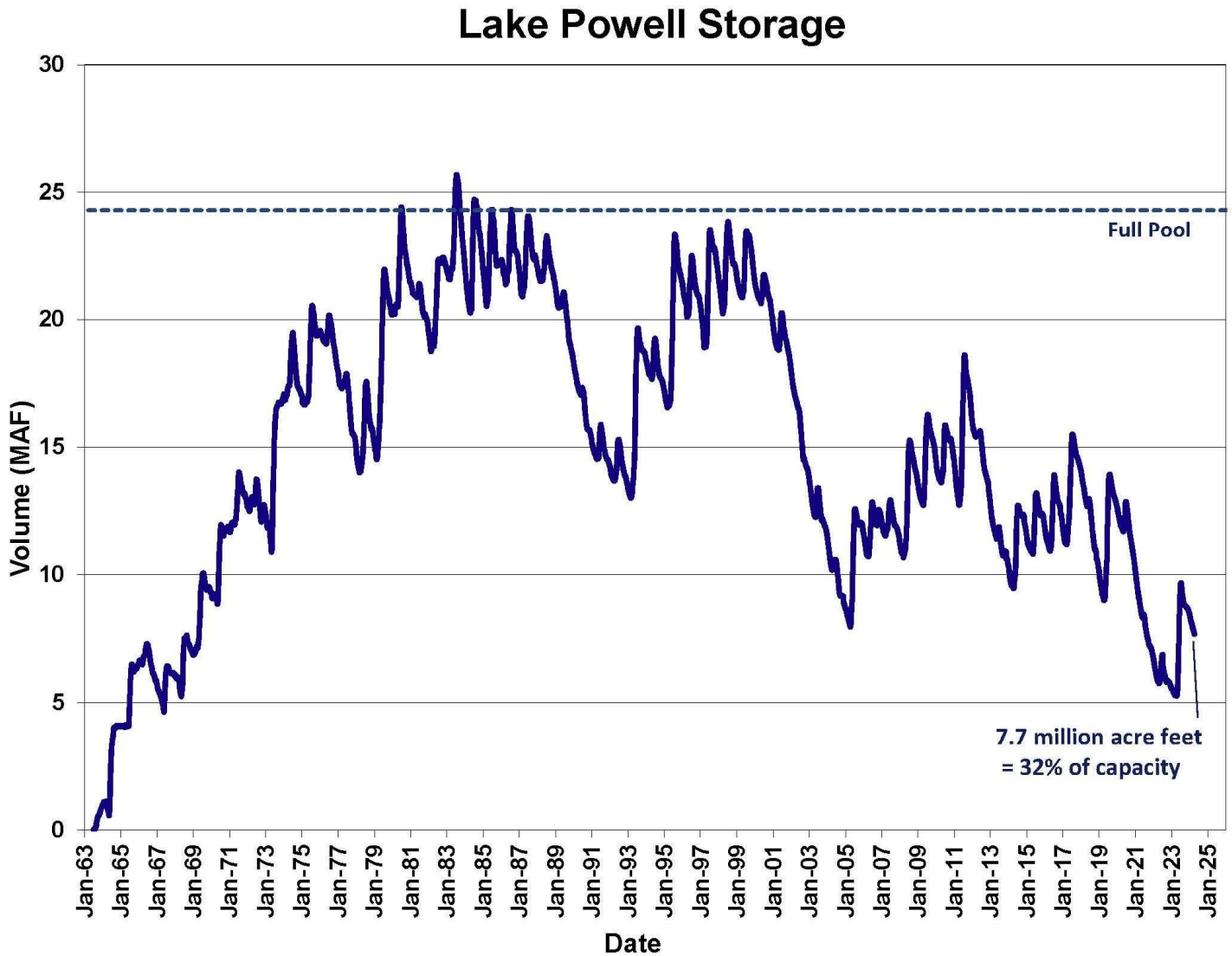


FIGURE D: LAKE POWELL STORAGE

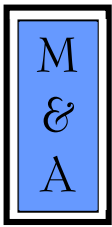


B. LITIGATION AND LEGAL FUNDING

The River District’s General Counsel is responsible for the management of all of the legal matters of the River District and its Enterprise. The River District is involved in a wide-variety of legal matters that include litigation related to water rights, the negotiation and mediation of litigation settlements, the negotiation of contractual relationships, governmental compliance, and legislative proposals. Budgeting for litigation related matters is very difficult because of the uncertain nature of the litigation schedule and possible settlement options. Occasionally unanticipated financial liability results from pending litigation.

In addition to in-house counsel, the River District has retained special counsel for advice on a variety of matters. Generally, those matters involve anticipated complex-litigation, issues beyond the particular expertise of in-house counsel, and “overflow” work delegated to special counsel on an as-needed basis. The River District expended \$788,126 on special counsel,

mediation and expert consultants related to pending and anticipated litigation during the year 2023. Those costs are expected to increase in 2024 due to pending litigation and the retention of counsel and consultants to work on a special project.



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Colorado River Water Conservation District
Glenwood Springs, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Colorado River Water Conservation District, Colorado (the "District"), as of and for the year ended December 31, 2023, 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 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 District as of December 31, 2023, 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 ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of 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.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 going concern for one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Colorado River Water Conservation District
Glenwood Springs, Colorado

Auditor's Responsibilities for the Audit of the Financial Statements

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

U.S. GAAP require that the Management's Discussion and Analysis on pages 18 - 25 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 section B in accordance with U.S. GAAS, 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.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Colorado River Water Conservation District
Glenwood Springs, Colorado

Required Supplementary Information (continued)

The statements and schedules on pages 51 – 52 are not a required part of the basic financial statements but are supplementary information required by U.S. GAAP. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 individual fund budgetary information and the Statement of Property Taxes Collected Compared to Budget – General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary comparison information and the Statement of Property Taxes Collected Compared to Budget – General Fund are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the general background and transmittal but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



McMahan and Associates, L.L.C.
Avon, Colorado
June 28, 2024

Colorado River Water Conservation District Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is designed to provide an easy-to-read discussion of the District's financial condition and operating results and to disclose to the reader important financial activities and issues related to the District's basic operations and mission. The MD&A should be read in conjunction with the detailed Background and Transmittal letter which precedes this MD&A and the District's basic financial statements.

The District has two separate financial categories or activities – government-type activities and those covered or referred to as business type activities. Within the government type activities, the Board has designated three separate budgets: a General Fund, a Capital Projects Fund, and a Community Funding Partnership Fund. The government type activities are funded through the District's ad-valorem property tax. The business type activities are managed through the District's Colorado River Water Projects Enterprise (Enterprise). The Enterprise is funded through water sales contracts and leases.

▪ DESCRIPTION OF FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District government, reporting the District's operations *in more detail* than the government-wide statements.

The financial statements *Notes* explain some of the information in the financial statements and provide more detailed data. The statements are followed by *required supplementary information and supplementary information sections* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements consist of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include *all* assets, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. The District's net position – the difference between assets, liabilities, and deferred inflows of resources – are one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base, are needed to assess the overall health of the District.

In the Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities:

- **Governmental Activities** – The activity of the River District for its General, Capital Projects and Community Funding Partnership funds is reported here. Property taxes, specific ownership taxes, project contributions, and interest income finances most of these activities.
- **Business-Type Activities** – The District manages an enterprise formally named the Colorado River Water Projects Enterprise of the Colorado River Water Conservation District which develops and operates the District's water supply assets. The activity of this Enterprise is reported here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant funds – not the District as a whole. The District's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental fund – The River District's activity of its General, Capital Projects and Community Funding Partnership funds are reported as a governmental fund, which focuses on how money flows into and out of the General and Community Funding Partnership funds and the balances left at year-end in the General fund that are available for transfer to the Capital Projects fund. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Proprietary (Enterprise) fund – The activity of the River District's Enterprise fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's Enterprise fund is the same as the business-type activities reported in the governmental-wide statements but provide more detail and additional information, such as cash flows.

The other financial statements include notes that explain some of the information in the financial statements and provide more detailed data.

HIGHLIGHTS for fiscal year 2023

Governmental Activities

- As of December 31, 2023, the District’s total governmental activity assets were \$41,615,342, a 23% increase from the prior year.

Business-Type Activities

- As of December 31, 2023, total Enterprise assets were \$87,898,314, a slight decrease from the prior year.
- In 2023, revenues from water sales decreased 6% to \$1,528,653.
- Total Business-type activities liabilities decreased 10% to \$1,219,824.

HIGHLIGHTS for fiscal year 2022

Governmental Activities

- As of December 31, 2022, the District’s total governmental activity assets were \$33,951,916, a 15% increase from the prior year.

Business-Type Activities

- As of December 31, 2022, total Enterprise assets were \$88,241,805, a 1% increase from the prior year.
- In 2022, revenues from water sales increased 2% to \$1,645,561.
- Total Business-type activities liabilities increased 12% to \$1,349,952.

STATEMENT OF NET POSITION

The following table is a year-to-year summary of the District’s net position:
Net Position (In Thousands)

Years ended December 31,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Assets:</u>						
Current Assets	\$ 34,259	\$ 27,338	\$ 32,091	\$ 31,294	\$ 66,350	\$ 58,632
Capital assets, Net	7,287	6,540	51,246	52,106	58,533	58,646
Other Assets	70	74	4,562	4,835	4,632	4,909
Total Assets	<u>\$ 41,616</u>	<u>\$ 33,952</u>	<u>\$ 87,899</u>	<u>\$ 88,235</u>	<u>\$ 129,515</u>	<u>\$ 122,187</u>
<u>Liabilities:</u>						
Current Liabilities	<u>1,235</u>	<u>902</u>	<u>1,220</u>	<u>1,350</u>	<u>2,455</u>	<u>2,252</u>
Deferred inflows of resources, unavailable revenue-property taxes	<u>\$ 14,107</u>	<u>\$ 10,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,107</u>	<u>\$ 10,183</u>
<u>Net Position</u>						
Net Investment in Capital Assets	7,287	6,540	51,246	52,106	58,533	58,646
Restricted for emergencies	211	174	-	-	211	174
Restricted for Community Funding Partnership	10,868	7,945	-	-	10,868	7,945
Unassigned	7,909	8,208	35,433	34,779	43,342	42,987
Total Net Position	<u>\$ 26,275</u>	<u>\$ 22,867</u>	<u>\$ 86,679</u>	<u>\$ 86,885</u>	<u>\$ 112,954</u>	<u>\$ 109,752</u>

STATEMENT OF ACTIVITIES

The following table reflects a year-to-year change in the District's Net Position:
(In Thousands)

Years ended December 31,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Program Revenues:</u>						
Charges for Services	\$ 16	\$ 16	2,296	\$ 2,744	\$ 2,312	\$ 2,760
Grants/Contributions	1,115	341	271	311	1,386	652
Total Program Revenues	<u>\$ 1,131</u>	<u>\$ 357</u>	<u>\$ 2,567</u>	<u>\$ 3,055</u>	<u>\$ 3,698</u>	<u>\$ 3,412</u>
<u>General Revenues:</u>						
Property Taxes	10,105	9,648	-	-	10,105	9,648
Specific Ownership Taxes	792	761	-	-	792	761
Interest/Investments	748	126	1,482	(71)	2,230	55
Miscellaneous	15	146	-	-	15	146
Total General Revenues	<u>\$ 11,660</u>	<u>\$ 10,681</u>	<u>\$ 1,482</u>	<u>\$ (71)</u>	<u>\$ 13,142</u>	<u>\$ 10,610</u>
Total Revenues	<u>\$ 12,791</u>	<u>\$ 11,038</u>	<u>\$ 4,049</u>	<u>\$ 2,984</u>	<u>\$ 16,840</u>	<u>\$ 14,022</u>
<u>Program Expenses</u>						
General Government	991	969	-	-	991	969
Projects & Engineering	4,261	2,896	4,256	3,826	8,517	6,722
Professional & Legal	3,995	3,761	-	-	3,995	3,761
Other Administration	62	55	-	-	62	55
Unallocated Depreciation	75	62	-	-	45	62
Total Expenses	<u>\$ 9,384</u>	<u>\$ 7,743</u>	<u>\$ 4,256</u>	<u>\$ 3,826</u>	<u>\$ 13,610</u>	<u>\$ 11,569</u>
Increase(decrease) in Net Position	<u>\$ 3,407</u>	<u>\$ 3,295</u>	<u>\$ (207)</u>	<u>\$ (842)</u>	<u>\$ 3,230</u>	<u>\$ 2,453</u>

The year-to-year change in the Governmental revenues is primarily due to property taxes. The year-to-year change in the Business-Type revenues is primarily due to the change in water contracts, the change in Elkhead Reservoir reimbursements, and the change in project contributions.

GOVERNMENTAL FUNDS

BALANCE SHEET

(In Thousands)

Years ended December 31,	2023	2022
Total Assets - General Fund	\$ 18,874	\$ 14,075
Total Assets - Capital Fund	4,791	5,381
Total Assets - Community Funding Partnership Fund	10,664	7,957
Total Assets	\$ 34,329	\$ 27,413
Total Liabilities - General Fund	600	635
Total Liabilities - Capital Fund	139	17
Total Liabilities - Community Funding Partnership Fund	204	12
Total Liabilities	\$ 943	\$ 664
Deferred inflows of resources, unavailable revenue-property taxes	\$ 14,107	\$ 10,183
Fund Balance		
Restricted (approx. TABOR 3%)	10,671	8,119
Assigned (3 months expenses)	1,761	1,449
Assigned (Capital Projects Funds)	4,652	5,363
Unassigned	2,196	1,634
Total Fund Balance	\$ 19,280	\$ 16,565

The increase in Total Fund Balance is primarily due to an increase in assigned for General and Community Funding Partnership funds.

REVIEW OF EXPENSES - BUDGETARY COMPARISON - GOVERNMENTAL FUNDS

(In Thousands)

Years ended December 31,	2023 Actual	2023 Budget
County Treasurer's Fees	\$ 359	\$ 356
Director's Fees, Salary & Expenses	62	49
Professional and Legal	3,942	3,858
General Government	276	340
External Affairs	254	442
Project Expenses	4,261	6,111
Emergency and Contingency	-	211
Capital Outlay	685	1,025
Total Expenses	\$ 9,839	\$ 12,392

BUDGETARY HIGHLIGHTS

Changes between actual expenditures and budgeted amounts were primarily due to efforts to reduce general government and project expenses. Additionally, the District has not spent emergency and contingency budgeted amounts. In 2023, actual expenses were less than budgeted by approximately \$819,000 for the General Fund and \$96,000 for the Capital Projects. Actual expenditures for the Community Funding Partnership Fund were approximately \$1,395,000 less than budgeted, due to the difficulty in projecting expenditures which reimburse awarded grantees.

PROPRIETARY FUND (Enterprise Fund)

STATEMENT OF NET POSITION

(In Thousands)

Years ended December 31,	2023	2022
Current Assets	\$ 32,091	\$ 31,294
Capital Assets (Net)	51,246	52,106
Other Assets	4,562	4,835
Total Assets	\$ 87,899	\$ 88,235
Current Liabilities	1,220	1,350
Total Liabilities	\$ 1,220	\$ 1,350
Net Position		
Net Investment in Capital Assets	51,246	52,106
Unrestricted	35,433	34,779
Total Net Position	\$ 86,679	\$ 86,885

REVIEW OF REVENUES AND LEASE RECEIPTS

(In Thousands)

Years ended December 31,	2023	2022
Water Sales & Leases	\$ 2,092	\$ 2,494
Interest Income (Loss)	1,479	(73)
Management Fee	-	1
Elkhead Operations Reimbursements	87	72
Grants & Contributions	185	249
Miscellaneous & Others	207	242
Total Revenues	\$ 4,050	\$ 2,985

The overall increase in revenue for the Proprietary Fund is due primarily to the increase in interest income.

CAPITAL ASSETS AND DEBT ADMINISTRATION - DISTRICT WIDE

(In Thousands)

Years ended December 31,	2023	2022
Governmental Type Activities:		
Land	\$ 115	\$ 115
Contracts	5,807	5,807
Building	2,025	1,244
Equipment, Furniture & Fixtures	486	471
Total Governmental Assets	8,433	7,637
Accumulated Depreciation	(1,146)	(1,097)
Net Governmental Assets	\$ 7,287	\$ 6,540
Business Type Activities:		
Land	\$ 3,091	\$ 3,091
Building	1,759	1,578
Dam Project	66,268	66,239
Recreation Area	1,284	1,274
Vehicles & Other Equipment	534	529
Total Business Type Activity Assets	72,936	72,711
Accumulated Depreciation	(21,690)	(20,606)
Net Business Type Assets	\$ 51,246	\$ 52,105
Other Assets:		
Contracts & Shares	4,537	4,813
Total Business Type & Other Assets (Net)	\$ 55,783	\$ 56,918

The changes in 2023 are primarily due to the remodel project and the water conservation and efficiency improvement project at the District office, in addition to the purchase of a District vehicle and improvements at Wolford Reservoir . Please see figure 7 for more details.

DEBT OUTSTANDING

The District does not have any Business-Type long-term debt.

The District has four long-term contracts with the United States Bureau of Reclamation for water from Ruedi Reservoir. These contracts are legally subject to annual appropriations by the Board of Directors. The capital costs under these contracts were paid in full in 2016, the District continues to pay annual Operation and Maintenance costs associated with these contracts.

ECONOMIC AND OTHER FACTORS

The economic outlook of the 15 county regions, comprising the District, is generally pointed in an upward direction, rebounding nicely from the recession thanks to a diversification of the economy. The State of Colorado's Demographer is predicting that the Western Slope will grow by two-thirds by 2050. District management believes that the assessed valuations of oil and gas will remain relatively stable in the near future. Valuations of residential property are likely to continue to increase significantly. Additional information is included in the Background and Transmittal letter.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

General Manager
Colorado River Water Conservation District
201 Centennial St., Suite #200
Glenwood Springs, CO 81601
Tel: (970) 945-8522
Fax: (970) 945-8799

Statement of Net Position

December 31, 2023	Governmental	Business-Type	
Assets	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<i>Current Assets</i>			
Cash and cash equivalents	\$ 19,434,401	\$ 20,637,796	\$ 40,072,197
Investments	-	11,407,405	11,407,405
Property taxes receivable	14,165,328	-	14,165,328
Internal balances	97,305	(97,305)	-
Accrued interest	-	70,594	70,594
Other current assets	561,978	72,381	634,359
Total Current Assets	34,259,012	32,090,871	66,349,883
<i>Noncurrent Assets</i>			
Investments in reservoir stock and contracts	-	4,537,486	4,537,486
Notes receivables, net	69,802	24,063	93,865
Capital Assets			
Nondepreciable	5,921,604	3,091,477	9,013,081
Depreciable	2,510,951	69,844,380	72,355,331
Less accumulated depreciation	(1,146,027)	(21,689,963)	(22,835,990)
Total Noncurrent Assets	7,356,330	55,807,443	63,163,773
Total Assets	\$ 41,615,342	\$ 87,898,314	\$ 129,513,656
Liabilities			
<i>Current Liabilities</i>			
Accounts payable	\$ 942,612	\$ 291,514	\$ 1,234,126
Accrued salaries and payroll taxes	-	8,289	8,289
Compensated absences	292,064	104,259	396,323
Unearned revenues	-	815,762	815,762
Total Liabilities	1,234,676	1,219,824	2,454,500
Deferred Inflows of Resources			
Property taxes	14,106,596	-	14,106,596
Net Position			
Investment in capital assets	7,286,528	51,245,894	58,532,422
Restricted for:			
Emergencies	211,355	-	211,355
Community Funding Partnership	10,867,636	-	10,867,636
Unrestricted	7,908,551	35,432,596	43,341,147
Total Net Position	26,274,070	86,678,490	112,952,560
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 41,615,342	\$ 87,898,314	\$ 129,513,656

See Notes to the Basic Financial Statements

Statement of Activities

For the year ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities						
County treasurers' fees	\$ 358,522	\$ -	\$ -	\$ (358,522)	\$ -	\$ (358,522)
Directors' fees, salary & expense	62,477	-	-	(62,477)	-	(62,477)
Professional and legal	3,995,252	-	-	(3,995,251)	-	(3,995,251)
General government	378,854	-	-	(378,854)	-	(378,854)
External affairs	253,835	7,530	-	(246,305)	-	(246,305)
Projects	4,260,819	8,379	1,115,451	(3,136,989)	-	(3,136,989)
Depreciation - unallocated	74,531	-	-	(74,531)	-	(74,531)
Total Governmental Activities	<u>9,384,290</u>	<u>15,909</u>	<u>1,115,451</u>	<u>(8,252,929)</u>	<u>-</u>	<u>(8,252,929)</u>
Business-Type Activities						
Water Supply & Project Mgmt.	4,256,392	2,295,987	271,433	-	(1,688,972)	(1,688,972)
Total Business-Type Activities	<u>4,256,392</u>	<u>2,295,987</u>	<u>271,433</u>	<u>-</u>	<u>(1,688,972)</u>	<u>(1,688,972)</u>
Total District	<u>\$13,640,682</u>	<u>\$2,311,896</u>	<u>\$1,386,884</u>	<u>(\$8,252,929)</u>	<u>(\$1,688,972)</u>	<u>(9,941,901)</u>
General Revenues						
Taxes						
Property taxes				\$ 10,105,187	\$ -	\$ 10,105,187
Specific ownership taxes				792,155	-	792,155
Interest and investment earnings				748,000	1,482,222	2,230,222
Miscellaneous				14,834	-	14,834
Total General Revenues				<u>11,660,176</u>	<u>1,482,222</u>	<u>13,142,398</u>
Changes in Net Position				3,407,247	(206,750)	3,200,497
Net Position - Beginning of the Year				22,866,823	86,885,240	109,752,063
Net Position - End of the Year				<u>\$ 26,274,070</u>	<u>\$ 86,678,490</u>	<u>\$ 112,952,560</u>

See Notes to the Basic Financial Statements

Governmental Funds Balance Sheet

December 31, 2023	General	Capital Projects	Community Funding	Total
Assets	Fund	Fund	Partnership Fund	Governmental Funds
Cash and cash equivalents	\$ 4,117,080	\$ 4,653,804	\$ 10,663,517	\$ 19,434,401
Property taxes receivable	14,165,328	-	-	\$ 14,165,328
Due (to) from other funds	(39,830)	137,135	-	\$ 97,305
Other current assets	561,978	-	-	\$ 561,978
Notes receivable (net of allowance of \$82,500)	69,802	-	-	\$ 69,802
Total Assets	\$ 18,874,358	\$ 4,790,939	\$ 10,663,517	\$ 34,328,814
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 599,551	\$ 138,942	\$ 204,119	\$ 942,612
 Deferred inflows of Resources				
Unavailable revenue-property taxes	14,106,596	-	-	14,106,596
 Fund Balances				
Restricted for emergencies	211,355	-	-	211,355
Assigned (3 months expenses)	1,761,290	-	-	1,761,290
Assigned for Capital Projects	-	4,651,997	-	4,651,997
Restricted for Community Funding Partnership	-	-	10,459,398	10,459,398
Unassigned	2,195,566	-	-	2,195,566
Total Fund Balances	4,168,211	4,651,997	10,459,398	19,279,606
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 18,874,358	\$ 4,790,939	\$ 10,663,517	\$ 34,328,814

See Notes to the Basic Financial Statements

Reconciliation of the Governmental Funds Balance Sheet to Net Position of Governmental Activities

December 31, 2023

Total Fund Balances - Governmental Funds \$ 19,279,606

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds 7,286,528

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds: Compensated absences (292,064)

Total Net Position - Governmental Activities \$ 26,274,070

See Notes to the Basic Financial Statements

**Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental**

For the year ended December 31, 2023	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Community Funding Partnership Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 10,105,187	\$ -	\$ -	\$ 10,105,187
Specific ownership taxes	792,155	-	-	792,155
Investment income	174,980	210,135	345,066	730,181
Property tax interest	17,818	-	-	17,818
Miscellaneous	3,835	11,000	-	14,835
Charges for Services	7,530	-	-	7,530
Management Fee	8,379	-	-	8,379
Project Contributions	1,115,451	-	-	1,115,451
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 12,225,335	\$ 221,135	\$ 345,066	\$ 12,791,536
Expenditures				
<i>Current Operating</i>				
County treasurers' fees	358,522	-	-	358,522
Directors' fees, salary and expense	62,477	-	-	62,477
Professional and legal	3,941,838	-	-	3,941,838
General government	276,246	60,713	-	336,959
Project expenses	1,900,439	247,472	2,352,231	4,500,142
External affairs	253,835	-	-	253,835
Capital Outlay	-	624,125	-	624,125
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 6,793,357	\$ 932,310	\$ 2,352,231	\$ 10,077,898
Other Financing Sources (Uses)				
Operating transfers in	-	-	4,521,389	4,521,389
Operating transfers out	(4,521,389)	-	-	(4,521,389)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(4,521,389)	-	4,521,389	-
Net Change in Fund Balance	\$ 910,589	\$ (711,175)	\$ 2,514,224	\$ 2,713,638
Fund Balance				
Fund Balances - Beginning of Year	3,257,622	5,363,172	7,945,174	16,565,968
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - End of Year	\$ 4,168,211	\$ 4,651,997	\$ 10,459,398	19,279,606
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Notes to the Basic Financial Statements

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Statement of Activities

For the year ended December 31, 2023

Total Change in Fund Balances - Governmental Funds \$ 2,713,638

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed (are less than) depreciation expense in the period:

Capital Outlay	821,554
Depreciation Expense	(74,531)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

(Increase) decrease in compensated absences	<u>(53,414)</u>
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Change in Net Position of Governmental Activities \$ 3,407,247

See Notes to the Basic Financial Statements

Statement of Net Position – Proprietary Funds

December 31, 2023	Business-Type Activity
Assets	Enterprise Fund
Current Assets	
Cash and cash equivalents	\$ 20,637,796
Investments	11,407,405
Accounts receivable	72,381
Due from (to) other funds	(97,305)
Accrued interest receivable	70,594
Total Current Assets	32,090,871
Capital Assets	
Nondepreciable	
Land	3,091,477
Depreciable	
Office building	1,758,590
Vehicles, equipment, furniture and fixtures	534,194
Dam project	66,267,507
Recreation area	1,284,089
Total Capital Assets	72,935,857
Less accumulated depreciation	(21,689,963)
Net Capital Assets	51,245,894
Other Assets	
Investment in Eagle Park Reservoir Company	2,368,121
Investment in Grand County Mutual Ditch & Reservoir Company	222,109
Investment in Ruedi Reservoir Contracts (net of accumulated amortization of \$5,303,942)	1,947,256
Notes receivable (net of allowance of \$17,500)	24,063
Total Other Assets	4,561,549
Total Assets	\$ 87,898,314
Liabilities	
Current Liabilities	
Accounts payable	291,514
FICA/Medicare Payable	8,289
Compensated absences	104,259
Unearned revenue	815,762
Total Liabilities	1,219,824
Net Position	
Investment in capital assets	51,245,894
Unrestricted	35,432,596
Total Net Position	86,678,490
Total Liabilities and Net Position	\$ 87,898,314

See Notes to the Basic Financial Statements

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds

For the year ended December 31, 2023	Business-Type Activity
	<u>Enterprise Fund</u>
Operating Revenues	
Denver Water interest income	\$ 563,348
Sale of water	1,528,653
Other operating revenue	<u>203,986</u>
 Total Operating Revenue	 2,295,987
Operating Expenses	
Operating expenses	1,142,211
Depreciation and amortization	1,363,013
Administrative expense	<u>1,751,168</u>
 Total Operating Expenses	 4,256,392
 Operating Income (loss)	 (1,960,405)
Nonoperating Revenue (Expenses)	
Investment revenue	1,479,257
Joint venture gain (loss)	2,965
Intergovernmental revenue	<u>271,433</u>
 Total Nonoperating Revenues	 1,753,655
 Change in net position	 (206,750)
 Total Net Position - Beginning of Year	 <u>86,885,240</u>
Total Net Position - End of Year	<u><u>\$ 86,678,490</u></u>

See Notes to the Basic Financial Statements

Statement of Cash Flows – Proprietary Funds

For the year ended December 31, 2023	Business-Type Activity Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,265,219
Payments to suppliers	(2,587,927)
Payments to employees	(435,578)
Net Cash (used for) Operating Activities	<u>(758,286)</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(224,204)
Net Cash (used for) Capital and Related Financing Activities	<u>(224,204)</u>
Cash Flows From Non-capital Financing Activities	
Intergovernmental	271,433
Interfund borrowing	53,655
Net Cash provided by Non-capital Financing Activities	<u>325,088</u>
Cash Flows From Investing Activities	
Purchase of investments	(5,059,127)
Proceeds from sale or maturity of investments	4,571,609
Interest received on investments and cash deposits	1,453,147
Net Cash provided by Investing Activities	<u>965,629</u>
Net Increase in Cash	308,227
Cash, Beginning of Year	20,329,569
Cash, End of Year	<u>\$ 20,637,796</u>
Reconciliation of operating loss to net cash used for operating activities	
Operating income	\$ (1,960,405)
<i>Adjustments to reconcile net operating income to net cash used in operating activities:</i>	
Depreciation, amortization and gain on disposal	1,363,015
Increase in accounts and notes receivable	(30,768)
Decrease in accounts payable	(243,422)
Decrease in accrued expenses	1,715
Increase in prepaid water fees (unearned revenue)	90,018
Decrease in compensated absences	21,561
Net Cash (used for) Operating Activities	<u>\$ (758,286)</u>
Noncash investing and financing activities:	
Income in joint ventures	\$ 2,965
See Notes to the Basic Financial Statements	

Statement of Fiduciary Net Position

December 31, 2023

Custodial Fund

Assets		
Cash and investments	\$	<u>625,935</u>
Net Position		
Restricted for other governments	\$	<u>625,935</u>

See Notes to the Basic Financial Statements

Statement of Changes in Fiduciary Net Position

For the year ended December 31, 2023

	<u>Custodial Funds</u>
Additions:	
Contributions	\$ 85,798
Interest, dividends, and other	11,913
Total additions	<u>97,711</u>
Deductions:	
Distributions to shareholders	<u>-</u>
Total deductions	<u>-</u>
Net increase (decrease) In fiduciary net position	97,711
Net position-beginning	<u>528,224</u>
Net position-ending	<u>625,935</u>

Notes to the Basic Financial Statements

1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Flows, Basis of Accounting and Summary of Significant Accounting Policies.

A. Nature of Operations and Reporting Entity

The Colorado River District's boundaries include all or part of 15 west central and northwest Colorado counties. The River District was created by the Colorado Legislature in 1937 and is governed by a 15-member board of directors. Each county in the River District has one director appointed to a three-year term by his or her Board of County Commissioners.

Accounting principles generally accepted in the United States of America require the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District has the statutory authority to levy taxes and to issue bonded debt without approval of another government. It has the right to be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the District is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements. The District does, however, participate in joint ventures. See Note 9 regarding these relationships.

B. Government-Wide and Fund Financial Statements

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing governmental accounting and financial reporting standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net position, revenues and expenditures or expense as appropriate. The District has the following funds:

Notes to the Basic Financial Statements

Governmental Fund Types: Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. In November 2020, voters in Western Colorado approved ballot question 7A, which eliminated the Spending/Revenue Taxpayer Bill of Rights (TABOR), which has allowed the fund to bring in additional revenues, such as project contributions.

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

The Community Funding Partnership Fund is used to fund multi-purpose water projects on the Western Slope in five project categories: productive agriculture, infrastructure, healthy rivers, watershed health and water quality, and conservation and efficiency. Funding for the program was approved by Western Colorado voters as part of ballot question 7A in November 2020. As such, the funds within the Community Funding Partnership Fund are considered to be restricted.

Proprietary Fund Types: Proprietary funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District reports the Enterprise fund as a major fund and is known as the Colorado River Water Projects Enterprise. The Enterprise Fund currently has one major revenue project known as the Wolford Mountain Reservoir Project. The District's major customer for the water stored in the reservoir is Denver Water that accounts for 14% of the total revenues in this fund. Other revenues to this fund include the sale of water from the Colorado and Eagle river systems plus project contributions and recreation area fees from Wolford Reservoir.

Fiduciary Fund Types: The Custodial Fund accounts for monies held on behalf of others in an agency capacity and cannot be used to support District activities. The District's Custodial Fund reports resources held by the District in a purely custodial capacity. In 2023, the District managed the assets of the Colorado River Cooperative Agreement's (CRCA) West Slope Fund, and CRCA's two Forest Restoration Funds for Summit County and Grand County.

C. 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*, as is the proprietary fund financial statements. The agency fund does not have a measurement focus but is reported using the accrued 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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 to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due or has matured.

Notes to the Basic Financial Statements

Property taxes and property tax interest, specific ownership taxes and investment income are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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. The principal operating revenues of the District Enterprise Fund are charges to customers for sales and services. Operating expenses for the District's Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balances

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, which includes local government investment pools and money market funds. State statutes govern the District's deposits of cash and investments. Investments for the District are reported at fair value, except for money market funds which are reported at amortized cost. 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 is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same – that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "internal balances." Notes receivable represent receivable from employees for the home ownership program as discussed in Note 11, net of an allowance for forgiveness of accounts of \$100,000.

Investments in Reservoir Stock and Contracts

The District has certain contracted interests in water through its shares in the Grand County Mutual Ditch and Reservoir Company, Eagle Park Reservoir Company and purchase of water rights through contracts with Ruedi Reservoir. See Note 9 regarding the participation in joint ventures related to the Grand County Mutual Ditch and Reservoir Company and the Eagle Park Reservoir Company. See Note 10 regarding Ruedi Reservoir water contracts with the Bureau of Reclamation.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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. Interest incurred during the construction phase of capital assets of the District's Enterprise Fund is included as part of the capitalized value of the assets constructed. No interest was capitalized in the current year.

Notes to the Basic Financial Statements

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Dam	75 years
Building	40 years
Recreation area	20 - 40 years
Equipment	4 - 10 years

Compensated Absences

The District has the following policy for earning compensated vacation pay.

1 – 6 years	12 days
6 – 12 years	18 days
12 – 18 years	24 days
18 or more years	30 days

The liabilities for accumulated vacation are accrued when incurred in the District-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements.

The District has the following policy for compensated sick leave pay: Regular Full-Time employees accrue sick leave at the rate of 1 day per month (12 days per year). Regular Part-Time employees accrue sick leave at the rate of ½ day per month (6 days per year). Employees are allowed to accumulate sick leave throughout the entire period of employment, up to a maximum of 90 days. Sick leave below the maximum of 90 days unused upon termination does not convey any monetary benefit to the employee, nor can it be used for continuation of pay or benefits beyond normal termination. The accrued compensated absences, attributable to the governmental activities, are generally liquidated by the General Fund.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Unearned Revenues

In the Enterprise fund and business type activities column of the statement of net position, unearned revenue represents billings on the sale of water that have not yet been earned.

Interfund activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an

Notes to the Basic Financial Statements

acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet and in the District-wide Statement of Net Position, which represents unavailable revenues from one source, property taxes. This amount is deferred and recognized as an inflow of resources in the period for which the taxes are levied.

Fund Balance

The District has adopted GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications and clarifying the definitions of existing governmental fund types. As a result, fund balances are reported in classifications based on the extent to which the District is bound to honor constraints for specific purposes on which amounts in the Fund can be spent. In the governmental fund financial statements, fund balances can be classified as follows:

Nonspendable: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Amounts constrained by the District’s intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the General Manager, or designee.

Unassigned: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

Fund balance flow assumption

When both unassigned and restricted or assigned resources are available for use, it is the District’s policy to use restricted or assigned resources first, then unassigned resources as needed.

Net Position

Represent the difference between assets, liabilities, and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, if any. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of December 31, 2023, the District has \$211,355 of restricted net position for enabling legislation for emergencies. Unrestricted net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Notes to the Basic Financial Statements

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid in two equal payments. To avoid penalties, the first half must be paid before March 1, and the second half must be paid on or before June 15. Alternatively, the taxes may be paid in full by April 30. All unpaid tax becomes delinquent June 16. Property taxes are levied and collected on behalf of the District by various counties and are reported as revenue by the District in the year in which the tax is budgeted and levied. Since the 2023 tax levy is budgeted and levied for the fiscal year 2024, the revenue from this tax levy has been reported as a deferred inflow of resources in both the Fund and the District-wide financial statements.

2. Interfund Receivables/Payables and Transfers

Figure 1 - Individual interfund receivable and payable balances as of December 31, 2023 are as follows:

	Due From Other Funds	Due to Other Funds
Major funds:		
General fund	\$ -	\$ 39,830
Capital projects fund	137,135	-
Enterprise fund	-	97,305
	<u>\$ 137,135</u>	<u>\$ 137,135</u>

Interfund balances result from the time lag between the dates that 1) interfund goods or services are provided or reimbursable expenditures occur, 2) transactions are recorded and 3) payments between funds are made.

3. Stewardship, Compliance, and Accountability

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Capital Project funds. The Enterprise fund is presented on the basis of revenue, lease receipts, and expenditures. All annual appropriations lapse at fiscal year-end. Encumbrances are not employed by the District.

4. Cash, Cash Equivalents, and Investments

A reconciliation of cash, cash equivalents and investments as shown in the financial statements is as follows:

Figure 2 - Cash and Investments

	Balance as of December 31, 2023		
Cash on hand	\$ 474		
Deposits	12,918,881		
Investments	39,186,182		
	<u>\$ 52,105,537</u>		
	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash on Hand/Checking/Money Market	\$ 12,293,420	\$ 625,935	\$ 12,919,355
Local Government Investment Pools (LGIP)	27,778,777	-	27,778,777
Total Cash and Cash Equivalents	<u>40,072,197</u>	<u>625,935</u>	<u>40,698,132</u>
Investments	\$ 11,407,405	\$ -	11,407,405
Total cash, cash equivalents, and investments reported in District financial statements	<u>\$ 51,479,602</u>	<u>\$ 625,935</u>	<u>\$ 52,105,537</u>

Interest rate risk: Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to five years

Notes to the Basic Financial Statements

for the General Fund and ten years for the Enterprise Fund, as a means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Investments subject to interest rate risk disclosures are shown below.

Figure 3 - Investments as of December 31, 2023

Investment name	Maturity	Fair value
Certificates of Deposit:		
Goldman Sachs	05/28/24	242,651
BMO Harris	04/13/26	222,971
Discover	05/27/25	239,337
Morgan Stanley	02/14/24	244,277
Morgan Stanley	02/14/24	244,277
TIAA	02/22/24	244,141
Third Federal Savings	05/21/24	240,777
HSBC	05/07/25	233,678
Texas Exchange	05/13/25	232,968
Sallie Mae	09/23/24	237,322
State Bank of India	11/29/24	235,861
WebBank	11/29/24	235,714
Cross River	10/31/25	246,367
DMB Community	06/18/26	245,232
First Foundation	06/30/25	150,282
NexBank	05/23/25	244,398
Synchrony	11/29/24	244,739
Synovus	07/12/24	244,138
Upper Peninsula	01/14/26	246,266
Wells Fargo	08/15/24	244,390
U.S. Government Agencies:		
FHLB	05/26/26	925,008
FHLB	01/28/25	279,490
FHLB	09/30/24	992,405
FHLB	04/24/28	247,627
FHLMC	06/28/24	395,846
FHLMC	04/27/26	796,935
U.S. Treasury Note	11/15/24	482,500
U.S. Treasury Note	12/15/24	289,313
U.S. Treasury Note	08/31/24	987,968
U.S. Treasury Note	01/31/27	1,290,527
Total		<u>\$ 11,407,405</u>

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General Obligation and revenue bonds of U.S. local government entities

Notes to the Basic Financial Statements

- Bankers’ acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

State law limits investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers. At December 31, 2023, the District’s investments in debt securities were rated as follows:

Figure 4

Investment	Rating	Company	Rating	Company
FHLB	AA+	Standard & Poor's	Aaa	Moody's
FFCB	AA+	Standard & Poor's	Aaa	Moody's
FNMA	AA+	Standard & Poor's	Aaa	Moody's
FHLMC	AA+	Standard & Poor's	Aaa	Moody's

The District’s certificates of deposit were not rated but were FDIC insured.

Concentration of credit risk: The concentration of credit risk, or the risk of loss attributed to the magnitude of a government’s investment in a single issuer, occurs when deposits are not diversified. It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the District, and conform to all federal and state statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control.

COLOTRUST PRIME, COLOTRUST PLUS and CSAFE are Registered Local Government Investment Pools with the Colorado Division of Securities and meet Standard & Poor’s investment guidelines to achieve an AAAM Rating, the highest attainable rating for a LGIP. All three pools are regulated by the Colorado Securities Commissioner, with quarterly reporting and annual audits required. Pool investments consist of U.S. Treasury bills, notes and note strips, commercial paper allowed by state statute and repurchase agreements collateralized by U.S. Treasury securities and or instrumentalities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Securities owned by the pools are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by the specific pool. The COLOTRUST pools seek to maintain a constant net asset value of \$1 per share and are reported at fair value measured using Net Asset Value (NAV) by the District, the CSAFE pool value is reported at amortized cost.

The District also maintains other investment policies to ensure proper diversification by security type and institution. Investments in any one issuer that represent 5 percent or more of the District’s total investments are as follows:

- FHLB – 21.43%
- FHLMC – 10.46%

Investments issued or explicitly guaranteed by the US government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit risk.

Notes to the Basic Financial Statements

Custodial Credit risk:

Deposits

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's monies from various funds are consolidated into a unified portfolio to maximize earnings. Earnings from the portfolio are distributed based on monthly Funds' balances.

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 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations of the United States, the State of Colorado, local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. PDPA allows the institution to create a single collateral pool for all public funds. The pool is maintained by another institution or held in trust for all uninsured public deposits as a group. The State Regulatory Commissions for banks and financial services are 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. The District's bank deposits were entirely covered by federal depository insurance (FDIC) or collateralized under PDPA in accordance with state statute.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g. broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2023, the District's investments were not exposed to custodial credit risk.

The District was not subject to foreign currency risk as of December 31, 2023.

Fair Value Measurement: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and liabilities and gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. These measurements are described as follows:

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Inputs: If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Notes to the Basic Financial Statements

The District has the following recurring fair value measurements as of December 31, 2023:

Figure 5 - Fair Value Measurements for the year ended December 31, 2023

	12/31/2023	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Certificates of Deposit	\$ 4,719,786	\$ -	\$ 4,719,786	\$ -
U.S. Government Agencies	6,687,619	\$ -	6,687,619	\$ -
		\$ -0-	\$ 11,407,405	\$ -
Investments measured at NAV				
Colostrust	24,272,075			
Investments measured at amortized cost				
Money Market Mututal Funds	33,749			
CSAFE	3,472,953			
	<u>\$ 39,186,182</u>			

5. Pension and Deferred Compensation and RHS Plans

Pension Plan

The District provides pension benefits for all of its regular employees, full or part time, through a defined contribution plan known as the Colorado River Water Conservation District Pension Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by Mission Square. Employees are eligible to participate after one year of service. The District contributes 10% of the employee’s annual compensation. The pension contribution rate was established by, and can only be amended with, the approval of the Board of Directors. The District’s contributions for all currently active employees (and investment earnings allocated to the employee’s account) are now fully vested.

The District’s total gross payroll for 2023 was \$3,154,170. The District’s contributions were calculated using a base salary amount for eligible employees of \$2,873,519. The District made the required 10% contribution totaling \$287,352.

There are 37 participants in the plan (including 17 who are not current employees). As of December 31, 2023, the accumulated plan assets were \$7,559,804. The assets in the pension plan experienced a gain of \$1,159,086 in 2023. The plan assets are reported at fair value using quoted market prices.

Deferred Compensation Plan

The District provides all employees with the opportunity to participate in a deferred compensation plan. All assets of the plan belong to the plan participants. As of December 31, 2023 the plan net assets were \$7,085,508. The District has elected to match employee contributions up to \$2,400 per year per employee between the 457 and RHS plans. The contributions are based on their age as follows: Under 50 - \$2,400; 50 and older – No Match. During the year, the District contributed \$25,600 in matching funds. This plan is administered by Mission Square.

RHS (Retirement Health Saving) Plan

The District contributes to employee plans by two defined methods: 1) Excess vacation (2x annual accrual) on a 2-1 ratio, 2) Matching contributions up to \$2,400 depending on the employee’s age as follows: Under 50 – No Match; 50 and older - \$2,400. During the year the District contributed \$16,800 for a year-end accumulated plan asset balance of \$2,251,404. This plan is also administered by Mission Square.

Notes to the Basic Financial Statements

6. Long-term Liabilities

Figure 6 - Long-term Liabilities Activity for the year ended December 31, 2023

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government Activities:					
Compensated absences	\$ 238,650	\$ 258,659	\$ 205,245	\$ 292,064	\$ 292,064
Long-term Liabilities	<u>\$ 238,650</u>	<u>\$ 258,659</u>	<u>\$ 205,245</u>	<u>\$ 292,064</u>	<u>\$ 292,064</u>
Business-type Activities:					
Compensated absences	\$ 82,698	\$ 75,720	\$ 54,159	\$ 104,259	\$ 104,259
Long-term Liabilities	<u>\$ 82,698</u>	<u>\$ 75,720</u>	<u>\$ 54,159</u>	<u>\$ 104,259</u>	<u>\$ 104,259</u>

The District does not have any note payables as of December 31, 2023.

Notes to the Basic Financial Statements

7. Capital Assets

Figure 7 - Capital Asset Activity for the year ended December 31, 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Water contract	5,806,604	-	-	5,806,604
Total capital assets, not being depreciated	<u>5,921,604</u>	<u>-</u>	<u>-</u>	<u>5,921,604</u>
Capital Assets, being depreciated:				
Building	1,243,645	781,010	-	2,024,655
Equipment, Furniture and Fixtures	471,251	40,544	(25,499)	486,296
Total capital assets, being depreciated	<u>1,714,896</u>	<u>821,554</u>	<u>(25,499)</u>	<u>2,510,951</u>
Less accumulated depreciation for:				
Building	(744,494)	(34,930)	-	(779,424)
Equipment, Furniture and Fixtures	(352,501)	(39,601)	25,499	(366,603)
Total accumulated depreciation	<u>(1,096,995)</u>	<u>(74,531)</u>	<u>25,499</u>	<u>(1,146,027)</u>
Total capital assets, being depreciated, net	<u>617,901</u>	<u>747,023</u>	<u>-</u>	<u>1,364,924</u>
Governmental activities capital assets, net	<u>\$ 6,539,505</u>	<u>\$ 747,023</u>	<u>\$ -</u>	<u>\$ 7,286,528</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,091,477	\$ -	\$ -	\$ 3,091,477
Total capital assets, not being depreciated	<u>3,091,477</u>	<u>-</u>	<u>-</u>	<u>3,091,477</u>
Capital assets, being depreciated:				
Building	1,578,028	180,562	-	1,758,590
Dam Project	66,238,928	28,579	-	66,267,507
Recreation Area	1,274,285	9,804	-	1,284,089
Vehicles and Other Equipment	528,935	5,259	-	534,194
Total capital assets, being depreciated	<u>69,620,176</u>	<u>224,204</u>	<u>-</u>	<u>69,844,380</u>
Less accumulated depreciation for:				
Building	(523,671)	(49,430)	-	(573,101)
Dam Project	(18,901,008)	(950,495)	-	(19,851,503)
Recreation Area	(785,437)	(54,497)	-	(839,934)
Vehicles and Other Equipment	(395,726)	(29,699)	-	(425,425)
Total accumulated depreciation	<u>(20,605,842)</u>	<u>(1,084,121)</u>	<u>-</u>	<u>(21,689,963)</u>
Total capital assets, being depreciated, net	<u>49,014,334</u>	<u>(859,917)</u>	<u>-</u>	<u>48,154,417</u>
Business-type activities capital assets, net	<u>\$ 52,105,811</u>	<u>\$ (859,917)</u>	<u>\$ -</u>	<u>\$ 51,245,894</u>

The depreciation expense, for governmental activities, is shown as unallocated on the Statement of Activities.

Notes to the Basic Financial Statements

8. Commitments and Contingencies

Risk Management

The District is exposed to various risks of loss related to injuries of employees while on the job, property loss and torts committed by the District or its employees. The District has purchased commercial insurance to cover these potential losses. There has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, also known as the Tax Payers Bill of Rights (TABOR) Amendment or Amendment 1, which has several limitations, including revenue raising, spending abilities, and other specific requirements for 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. However, the District has made certain interpretations of the amendment's language in order to determine its compliance. As of December 31, 2023, the amount required as an emergency reserve in compliance with the amendment is \$211,355 and is shown as a restriction of fund balance and net position in the General Fund and governmental activities, respectively.

Other Legal Matters

As a result of its involvement with matters of water rights, in the normal course of business the District becomes party to various claims and litigation regarding such matters. While it is reasonable to expect that some of these cases will result in an unfavorable outcome to the District, legal counsel for the District believes any such unfavorable outcome would not materially affect the District's financial position.

Commitments

In a 2011 and 2012 agreement, the District committed to two credits for Tri-State Generation & Transmission Association, INC. In exchange for Tri-State abandoning and cancelling certain water rights, the District agrees to provide Tri-State a \$75,000 credit towards service charges for Elkhead Reservoir operations, water marketing, or a combination of the two. The credit is redeemable in annual increments not to exceed \$12,500 per year and is non-transferrable. The 2011 agreement, for \$25,000, expires November 29, 2031. The 2012 agreement, for \$50,000, expires January 11, 2032.

Notes to the Basic Financial Statements

9. Joint Ventures

A) The District participates in a joint venture with the Bluestone Water Conservancy District. The original joint venture, the Bluestone Management Committee, was formed to provide for the collection of revenues on water that has been leased to outside parties. This joint venture does not meet the criteria for inclusion within the reporting entity because it has a separate governing board from that of the District, and the District appoints only half of the members of the Board. In March of 2015 the Bluestone Management Committee, formed the Kobe Water Authority and obtained their own EIN.

Financial statements of the Bluestone Management Committee and the Kobe Water Authority can be obtained from the District.

B) The District participates in a joint venture with Grand County Mutual Ditch and Reservoir Company, a nonprofit organization. The Company was formed to purchase shares of the Grand County Irrigation & Land Co. including the right to request or receive delivery of water and all beneficial right, title, and interest in and to all water rights represented by said shares. The Grand County Mutual Ditch and Reservoir Company issued twenty-four shares of common stock allocated proportionally as four shares to the six separate legal entities, including the Colorado River Water Conservation District. The Board of Directors consists of 6 members, one from each of the six shareholders. The District has an ongoing equity interest in the Grand County Mutual Ditch and Reservoir Company of 16.7% or 1/6. As of December 31, 2023, the District's investment in this Company totaled \$224,423. Separate audited financial statements of the Grand County Mutual Ditch Company can be obtained from their office at P.O. Box 824 Winter Park, Colorado 80482.

C) The District participates in a joint venture with Eagle Park Reservoir Company, a nonprofit organization along with three other separate legal entities. The Company was formed to acquire water diversion, storage facilities and water rights and operate its water storage facilities located in Eagle County, Colorado, and to deliver water on behalf of its stockholders. The District has a 7.98% interest in the Eagle Park Reservoir Company and currently owns 2,065 of Class A stock out of a total of 25,890 shares and 225 Class B stock of a total of 1000 shares. As of December 31, 2023, the District's investment in this Company totaled \$2,365,807. Separate audited financial statements of the Eagle Park Reservoir Company can be obtained from their office at 846 Forest Road, Vail Colorado 81657.

10. Water-purchase Contracts

The District has four contracts in place for the purchase of water from the Bureau of Reclamation's Ruedi Reservoir. The District obtained these water contracts for use in the operations of its Colorado River Water Projects Enterprise fund. The investment in these contracts is being amortized over the life of the agreements (25 years) through 2032. The total value of these contracts is \$1,947,256, net of accumulated amortization of \$4,969,630 and is recorded as an investment in Ruedi Reservoir Contracts on the Statement of Net Position.

11. Employee Home Ownership Program

In 2008, the Board approved an Employee Home Ownership Program. Employees may be eligible for up to 20% of the purchase price or \$50,000, whichever is less. Up to 60% of the loan could be forgiven contingent upon 15 years of continuous employment. As of December 31, 2023, twelve employees have enrolled in this program. The balance of the note receivable from employees as of December 31, 2023, was \$93,865 net of an allowance for doubtful accounts of \$100,000, which is recorded in both the General Fund and the Enterprise Fund.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budgetary Basis) – General Fund

For the year ended December 31, 2023	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 10,261,522	\$ 10,111,677	\$ 10,105,187	\$ (6,490)
Specific ownership taxes	787,650	775,650	792,155	16,505
Investment income	30,000	173,560	174,980	1,420
Property Tax Interest	12,253	9,874	17,818	7,944
Miscellaneous	3,000	5,100	3,835	(1,265)
Charges for services	-	-	7,530	7,530
Project Contributions	613,966	1,056,029	1,115,451	59,422
Management Fee	3,750	8,350	8,379	29
Total Revenues	\$ 11,712,141	\$ 12,140,240	\$ 12,225,335	\$ 85,095
Expenditures				
<i>Current Operating</i>				
County treasurers' fees	353,300	356,300	358,522	(2,222)
Directors' fees, salary and expense	56,944	49,033	62,477	(13,444)
Professional and legal	4,103,507	3,858,320	3,941,838	(83,518)
General government	340,814	340,074	276,246	63,828
External affairs	230,100	442,350	253,835	188,515
Project expense	1,693,041	2,355,384	1,900,439	454,945
Emergency and contingency	192,732	211,355	-	211,355
Total Expenditures	\$ 6,970,438	\$ 7,612,816	\$ 6,793,357	\$ 819,459
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,741,703	\$ 4,527,424	\$ 5,431,978	
Other Financing (Uses)				
Operating transfers in (out)	(4,521,389)	(4,521,389)	(4,521,389)	
Total Other Financing (Uses)	(4,521,389)	(4,521,389)	(4,521,389)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ 220,314	\$ 6,035	910,589	
Fund Balance - Beginning of Year			3,257,622	
Fund Balance - End of Year			\$ 4,168,211	

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Funding Partnership Fund

For the year ended December 31, 2023	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Investment Income (Loss)	\$ 12,000	\$ 250,000	\$ 345,066	\$ 95,066
Total Revenues	<u>\$ 12,000</u>	<u>\$ 250,000</u>	<u>\$ 345,066</u>	<u>\$ 95,066</u>
Expenditures				
Project Assistance	4,756,819	3,747,743	2,352,231	1,395,512
Total Expenditures	<u>\$ 4,756,819</u>	<u>\$ 3,747,743</u>	<u>\$ 2,352,231</u>	<u>\$ 1,395,512</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (4,744,819)</u>	<u>\$ (3,497,743)</u>	<u>\$ (2,007,165)</u>	
Other Financing Sources				
Annual Transfer from General Fund	\$ 4,221,389	\$ 4,221,389	\$ 4,221,389	
Additional Transfer from General Fund	300,000	300,000	300,000	
Total Other Financing Sources	<u>\$ 4,521,389</u>	<u>\$ 4,521,389</u>	<u>\$ 4,521,389</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ (223,430)</u>	<u>\$ 1,023,646</u>	<u>\$ 2,514,224</u>	
Fund Balance - Beginning of Year			<u>\$ 7,945,174</u>	
Fund Balance - End of Year			<u>\$ 10,459,398</u>	

Supplementary Information

Statement of Property Taxes Collected Compared to Budget – General Fund

For the year ended December 31, 2023

County	Budget	Actual	Variance Favorable (Unfavorable)
Delta	\$ 190,193	\$ 181,670	\$ (8,523)
Eagle	1,657,745	1,657,444	(301)
Garfield	1,461,209	1,346,935	(114,274)
Grand	472,122	472,466	344
Gunnison	407,402	415,278	7,876
Hinsdale	25,608	25,425	(183)
Mesa	1,183,918	1,270,750	86,832
Moffat	208,620	207,563	(1,057)
Montrose	316,319	310,799	(5,520)
Ouray	103,250	101,721	(1,529)
Pitkin	1,845,030	1,845,665	635
Rio Blanco	417,306	416,409	(897)
Routt	662,186	686,113	23,927
Saguache	2,229	2,218	(11)
Summit	1,209,165	1,229,548	20,383
Total Property Taxes	\$ 10,162,302	\$ 10,170,004	\$ 7,702
Delinquent Taxes	-	6,226	6,226
Less: Tax Credits & Tax Abatements	-	(71,043)	(71,043)
Total Property Taxes Collected	\$ 10,162,302	\$ 10,105,187	\$ (57,115)

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund

For the year ended December 31, 2023	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues				
Investment Income (Loss)	\$ 20,000	\$ 170,000	\$ 210,135	\$ 40,135
Miscellaneous	-	-	11,000	11,000
Total Revenues	<u>\$ 20,000</u>	<u>\$ 170,000</u>	<u>\$ 221,135</u>	<u>\$ 51,135</u>
Expenditures				
Other capital outlay	1,085,332	1,024,801	924,161	100,640
Other	20,000	8,149	8,149	-
Total Expenditures	<u>\$ 1,105,332</u>	<u>\$ 1,032,950</u>	<u>\$ 932,310</u>	<u>\$ 100,640</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (1,085,332)</u>	<u>\$ (862,950)</u>	<u>\$ (711,175)</u>	
Fund Balance - Beginning of Year			<u>\$ 5,363,172</u>	
Fund Balance - End of Year			<u>\$ 4,651,997</u>	

Schedule of Revenues, Expenses and Changes in Net Position– Budget and Actual
(Budgetary Basis) Colorado River Water Projects Enterprise Fund

For the year ended December 31, 2023	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Receipts				
Denver Water OM&R contributions	\$ 770,312	\$ 697,421	\$ 563,348	(134,073)
Sale of water including capital contributions	1,727,753	1,655,600	1,528,653	(126,947)
Investment Income (loss)	300,000	1,084,000	1,479,257	395,257
Miscellaneous	202,319	200,790	203,986	3,196
Joint Venture Income	500	1,000	2,965	1,965
Management Fee	1,000	1,000	-	(1,000)
Project Contributions	73,500	162,840	130,261	(32,579)
Grant	-	108,562	54,511	(54,051)
Elkhead Operations Reimbursements	97,129	86,661	86,661	-
Total Receipts	\$ 3,172,513	\$ 3,997,874	\$ 4,049,642	\$ 51,768
Expenses				
Directors' salaries, fees and expenses	32,805	24,171	8,965	15,206
Staff salaries	559,532	612,205	478,701	133,504
Salary overhead	228,621	244,159	211,439	32,720
Travel & Education	15,700	30,800	3,484	27,316
Legal	1,448,583	1,150,533	777,910	372,623
Administrative expenses	158,859	325,596	270,670	54,926
Technical support	124,345	125,516	125,016	500
Wolford Mountain	543,640	632,119	243,536	388,583
Dam Deformation	730,000	910,832	438,300	472,532
Mitigation	20,000	6,000	13,755	(7,755)
Yampa Projects	383,838	245,764	106,133	139,631
Eagle River projects	57,092	61,908	61,908	-
Roaring Fork Projects	62,300	34,608	34,608	-
Project Development	132,060	136,486	118,954	17,532
Total Expenses	\$ 4,497,375	\$ 4,540,697	\$ 2,893,379	\$ 1,647,318
Excess of Receipts Over (Under) Expenses	\$ (1,324,862)	\$ (542,823)	\$ 1,156,263	
Reconciliation of Budgetary Basis to GAAP Basis:				
Depreciation and amortization			(1,363,013)	
Change in net assets - GAAP basis			\$ (206,750)	