

SOUTHWESTERN WATER CONSERVATION DISTRICT

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2023

SOUTHWESTERN WATER CONSERVATION DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis – Required Supplementary Information	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements	
Balance Sheet - Governmental Fund	10
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities	13
Notes to the Basic Financial Statements.....	14
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual.....	24

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwestern Water Conservation District
Durango, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund, of Southwestern Water Conservation District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Southwestern Water Conservation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund, of Southwestern Water Conservation District, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwestern Water Conservation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

FredrickZink & Associates, PC

FredrickZink & Associates, PC
September 23, 2024

SOUTHWESTERN WATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The Board of Directors of the Southwestern Water Conservation District (the District) offers this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2023. We encourage the readers to consider this Management's Discussion and Analysis (MD&A) in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

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

Background Information

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

FINANCIAL HIGHLIGHTS

- The District's total assets exceeded its liabilities on December 31, 2023, by \$4,964,276. This represented an increase of \$444,133 from the net position at December 31, 2022. This perspective on net position includes spendable resources as well as the investment in land, building improvements, furniture, equipment, and right of use assets of \$72,807, restricted for emergencies \$46,733 and unrestricted of \$4,844,736.
- The District's total liabilities increased \$125,799 and deferred inflows of resources increased \$107,554.
- Total general fund expenditures were \$1,555,557 for the year ended December 31, 2023. This compares with general fund expenditures of \$1,589,488 for the year ended December 31, 2022.
- The District's total revenues on the fund financial statements increased from \$1,858,333 in 2022 to \$2,030,650 in 2023.
- The Board of Directors increased assignments of a portion of the District's year-end general fund balance to SWCD Water Defense to "defend the water resources of the District" from \$2,307,000 in 2022 to \$2,551,355 in 2023, and to SWCD Water Development to "develop and maintain the water resources of the District" from \$1,538,000 in 2022 to \$1,700,904 in 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Reporting the District as a Whole

Government-wide Financial Statements

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

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

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

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

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

Reporting the District's Fund

Fund Financial Statements

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

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

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

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

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 14 through 23.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Table I
Southwestern Water Conservation District
Net Position
December 31, 2023 and 2022

	December 31,		Increase
	2023	2022	(Decrease)
Current Assets	\$ 6,797,024	\$ 6,224,494	\$ 572,530
Right of Use Assets	107,217	-	107,217
Capital Assets	72,950	75,211	(2,261)
Total Assets	<u>6,977,191</u>	<u>6,299,705</u>	<u>677,486</u>
Liabilities	258,469	132,670	125,799
Deferred Inflows of Resources	1,754,446	1,646,892	107,554
Net Position			
Net investment in capital assets	72,807	75,211	(2,404)
Restricted for emergencies	46,733	47,736	(1,003)
Unrestricted	4,844,736	4,397,196	447,540
Total Net Position	<u>\$ 4,964,276</u>	<u>\$ 4,520,143</u>	<u>\$ 444,133</u>

The majority of the District's current assets are invested in cash, investments, and receivables for property taxes. The District has been able to provide for adequate operations without incurring debt. A restricted net position of \$46,733 represents a 3% or more emergency reserve required by an amendment to the State constitution (TABOR) and is not available for use by the District.

The majority of the District's revenue was from property and specific ownership taxes. The District's net position increased by \$472,890 (see Table II). Unrestricted net position the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased \$447,540 from \$4,397,196 in 2022 to \$4,844,736 in 2023 (see Table I).

Table II
Southwestern Water Conservation District
Changes in Net Position
December 31, 2023 and 2022

	December 31,		Increase
	2023	2022	(Decrease)
Revenues			
Property taxes	\$ 1,624,826	\$ 1,557,397	\$ 67,429
Specific ownership taxes	152,414	150,842	1,572
Interest and penalties	39,677	33,506	6,171
Interest income	130,097	36,282	93,815
Water Information program	45,015	42,850	2,165
Stream gaging	29,415	29,179	236
Other local sources	9,206	8,277	929
Total Revenues	<u>2,030,650</u>	<u>1,858,333</u>	<u>172,317</u>
Expenses			
General Government	39,955	47,247	(7,292)
Administration	390,373	388,728	1,645
Water conservation activities	1,055,265	1,081,055	(25,790)
Water information program	72,167	74,157	(1,990)
Total Expenses	<u>1,557,760</u>	<u>1,591,187</u>	<u>(33,427)</u>
Change in Net Position	<u>\$ 472,890</u>	<u>\$ 267,146</u>	<u>\$ 205,744</u>

Fund Financial Analysis

The District maintains only one governmental fund, the General Fund, which is the District's operating fund. The General Fund as of December 31, 2023 reported a balance of \$4,899,893, of which \$70,476 of the funds were nonspendable. The District's required 3% reserve for emergencies is \$46,733. The District has an assigned fund balance of \$4,382,259. The remaining fund balance of \$365,554 is available for future commitments and is unassigned fund balance.

The District receives 80% of its funding from property taxes and 8% from specific ownership taxes. Water conservation activities expenditures represent 68% of the District's total expenditures, administration 25% and water information programs 5%.

Budgetary Highlights

Total District's 2023 actual revenue was \$124,604 more than budgeted. The District's 2023 actual expenditures of \$1,546,932 were less than budgeted by \$290,414.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets and Right of Use Assets

The District had no capital assets additions during the year ended December 31, 2023. The District did enter into a new lease agreement for the office location for which a right of use asset, net of accumulated amortization and related liability was recorded totaling \$107,217 and \$107,360, respectively.

Additional information on the District's capital assets and right of use asset can be found in the notes to the financial statements.

Long-term Debt

The District had no long-term debt during 2023.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District will provide the following services during the 2024 budget year: support the conservation, development, and management of water use in southwestern Colorado; safeguard all waters to which the State is equitably entitled; participate in and provide funding for data collection; support, participate in, and lead local policy efforts; represent southwestern Colorado on federal and state policy concerns; and provide a variety of public education on water-related issues. Finally, the District will seek to serve constituents in providing general water information as requested. These activities align with the District's first strategic plan, which was adopted on February 17, 2022, and can be found at www.swwcd.org.

The District's total budgeted revenues for 2024 are projected to be \$2,119,612. Property tax revenues are expected to be approximately \$1,755,449, based on a mill levy of .347. This revenue is based on a combined assessed valuation across nine counties of \$5,056,036,552.

CONTACTING SOUTHWESTERN WATER CONSERVATION DISTRICT'S MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SOUTHWESTERN WATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents.....	\$ 1,315,677
Investments.....	3,602,046
Deferred property taxes receivable.....	1,754,445
Other receivables.....	54,380
Prepaid insurance.....	70,476
Capital assets, net of accumulated depreciation.....	72,950
Right of use asset, net of accumulated amortization.....	107,217
Total assets	\$ 6,977,191
LIABILITIES	
Accounts payable.....	\$ 136,788
Accrued expenses.....	14,321
Right of use lease.....	107,360
Total liabilities	\$ 258,469
DEFERRED INFLOWS OF RESOURCES	
Property taxes.....	\$ 1,754,446
Total deferred inflows of resources	\$ 1,754,446
NET POSITION	
Net investment in capital assets.....	72,807
Restricted - emergency reserves.....	46,733
Unrestricted.....	4,844,736
Total net position	\$ 4,964,276

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2023

Functions / Programs	Expenses	Net (Expense) Revenue and Change in Net Position Total Governmental Activities
Governmental activities:		
General government.....	\$ 39,955	\$ (39,955)
Administration.....	390,373	(390,373)
Water conservation activities.....	1,055,265	(1,055,265)
Water information program.....	72,167	(72,167)
Total governmental activities	<u>\$ 1,557,760</u>	<u>(1,557,760)</u>
General revenues (losses)		
Taxes		
Property taxes.....		1,624,826
Specific ownership and other taxes.....		152,414
Interest and penalties.....		39,677
Interest income.....		130,097
Water information program.....		45,015
Stream gaging.....		29,415
Other local sources.....		9,206
Total general revenues		<u>2,030,650</u>
Change in net position		472,890
Net position, beginning of year, as previously stated		4,520,143
Decrease resulting from preseason seeding invoice.....		<u>(28,757)</u>
Net position, end of year		<u>\$ 4,964,276</u>

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2023

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents.....	\$ 1,315,677
Investments.....	3,602,046
Deferred property taxes receivable.....	1,754,445
Other receivables.....	54,380
Prepaid items.....	70,476
Total assets	<u>\$ 6,797,024</u>
LIABILITIES	
Accounts payable.....	\$ 136,788
Accrued expenses.....	5,897
Total liabilities	<u>142,685</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue.....	1,754,446
Total deferred inflows of resources	<u>1,754,446</u>
FUND BALANCE	
Nonspendable, prepaid expenses.....	70,476
Restricted for emergencies.....	46,733
Assigned for:	
SWCD Water Defense.....	2,551,355
SWCD Water Development.....	1,700,904
Water Information Program.....	130,000
Unassigned.....	365,554
Total fund balance	<u>4,899,893</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 6,797,024</u>

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION December 31, 2023

Total fund balance - governmental fund	\$ 4,899,893
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund.....	72,950
Right of use assets are expensed as capital outlay in the fund but are capitalized in the government wide statements and amortized as depreciation expense over their expected useful lives.....	107,217
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund.....	(8,424)
Long-term liabilities are not due and payable in the current period and there are not recognized in the funds.....	<u>(107,360)</u>
Total net position - governmental activities	<u><u>\$ 4,964,276</u></u>

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND For the Year Ended December 31, 2023

	General Fund
REVENUES	
Taxes.....	\$ 1,817,950
Interest income.....	130,097
Water information program.....	45,015
Water Seminar Registration.....	8,173
Stream gaging.....	29,415
Total revenues	2,030,650
EXPENDITURES	
General government	
Board expenses.....	39,955
Administration	
Personnel.....	238,404
County treasurer's fees.....	45,169
Other services.....	24,904
Rent.....	31,721
Dues and subscriptions.....	19,483
Supplies.....	6,248
Professional and technical services.....	22,241
Water conservation activities	
Legal.....	268,939
Other district support.....	274,223
San Juan Recovery Program User Committee.....	55,940
Engineering.....	186,857
Stream gaging - federal.....	56,097
Lobbying.....	73,366
Weather modification.....	78,567
Water education.....	58,821
Stream gaging - Colorado.....	2,455
Water information program.....	72,167
Capital outlay.....	-
Total expenditures	1,555,557
Net change in fund balance	475,093
Fund balance, beginning of year, as previously stated	4,453,557
Decrease for preseason seeding invoice.....	(28,757)
Fund balance, end of year	\$ 4,899,893

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2023

Net change in fund balance - total governmental fund..... \$ 475,093

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

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

Capital asset additions.....	-	
Right of use additions.....	110,914	
Amortization expense.....	(3,697)	
Depreciation expense.....	<u>(2,261)</u>	
Net difference in capital outlay treatment.....		104,956

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

201

Changes in long term obligations are recognized as other financing sources and payments of principal in the funds but as additions and reductions of long term liabilities in the government wide statements.

Change in right of use lease asset year..... (107,360)

Change in net position - governmental activities..... \$ 472,890

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southwestern Water Conservation District (the District) operates under Colorado statute 37-47-101 et seq., which outlines the District's statutory authority and powers. The District was created in 1941 for the protection, conservation, use, and development of the water resources of the San Juan and Dolores Rivers and their principal tributaries. The District is comprised of the counties of San Miguel, Dolores, Montezuma, Archuleta, San Juan, La Plata, and portions of Hinsdale, Mineral, and Montrose counties. The District operates under a Board of Directors form of government and the directors are appointed by County Commissioners of the counties within the District.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

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

B. Basis of Accounting and Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

Governmental Fund Types

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

The District used the following fund during 2023:

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

C. Cash and cash equivalents

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

D. Investments

Investments are reported at fair value, except for money market funds and participating interest-earning investment contracts (such as certificates of deposit). Fair values are based on published market prices. The governmental investment pool operates in accordance with appropriate state laws and regulations. The value of the pool is reported at amortized cost which, in most cases, approximates the fair values of the pool shares.

The District has adopted a formal investment policy that follows state statutes regarding investments.

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

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

E. Allowance for Uncollectible

No allowance for uncollectible has been provided because the District's receivables are property taxes, and the County Treasurer is empowered to file liens on properties where delinquencies exist. Accordingly, the District believes any delinquencies will eventually be paid.

F. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is classified as nonspendable, as this amount is not available for general appropriation.

SOUTHWESTERN WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

G. Capital assets

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

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

H. Deferred outflows/inflows of resources

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

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

I. Compensated absences

The liability for compensated absences reported in the government-wide financial statements consists of unused paid time off (PTO), based on the employee's length and hours of service. The maximum of 80 hours of unused time may carryover into the next year. At year end, the estimated value of compensated absences was \$8,424.

J. Accrued liabilities and long-term obligations

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

K. Net position or fund balances

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

Net Position - Net position is assets minus liabilities plus deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling

SOUTHWESTERN WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

Fund Balance - Generally, fund balance reflects assets minus liabilities and deferred inflows of resources. Financial reporting standards establish criteria for classifying fund balance amounts into specifically defined categories to make the nature and extent of constraints on these amounts more useful and understandable.

The categories comprise a hierarchy based on the extent to which constraints must be honored for a specified purpose and for which amounts can be spent. Fund balances of governmental funds may be categorized as nonspendable, restricted, committed, assigned, and unassigned.

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

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

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

Assigned Fund Balance - is constrained for specific purposes as determined by management and the Board of Directors through the budget process.

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

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

L. Property taxes

The District's property taxes, levied by December 15, on assessed valuation as of the preceding January 1, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30, 2) one-half on or before February 28, and the remaining one-half on or before June 15. All unpaid taxes levied for the preceding year become delinquent June 16.

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

M. Specific ownership taxes

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

N. Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District adopts an annual budget for the General Fund. All annual appropriations lapse at fiscal year-end. The District does not report encumbered balances as of December 31, 2023 as all encumbrances lapse at year-end.

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

- Budgets are required by state law for all funds.
- On or before October 15, the District's management submits to the Board a proposed budget for the next fiscal year commencing the following January 1.
- The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted by the Board of Directors to obtain citizen comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2023.

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

3. DEPOSITS AND INVESTMENTS

Deposits and investments of the District consist of the following:

Deposits

Cash - demand deposits	\$ 1,293,188
Cash – held by county treasurer	<u>22,489</u>
Total cash and cash equivalents	<u>\$ 1,315,677</u>

Investments

Certificates of Deposit:

1 st Southwest Bank, 4.50% rate, maturing March 2025	\$ 250,000
1 st Southwest Bank, 4.50% rate, maturing March 2024	250,000
Ally Bank, 3.15% rate, maturing February 2024	245,000
Capital One Bank, 3.45% rate, maturing August 2025	245,000
Morgan Stanley Bank, 3.30% rate, maturing August 2024	245,000
Morgan Stanley Bank, 3.35% rate, maturing August 2024	245,000
Sallie Mae Bank, 3.25% rate, maturing July 2024	245,000
Sturgis Bank, 3.10% rate, maturing February 2024	245,000
Synchrony Bank, 3.40% rate, maturing July 2025	245,000
Wells Fargo, 5.05% rate, maturing August 2025	248,000
LPL Financial, Peaks Investment	69,795
Colorado Local Government Liquid Asset Trust	<u>1,069,251</u>
Total investments	<u>\$ 3,602,046</u>

In the case of deposits, there is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposits are in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories, as of December 31, 2023, all of the District's deposits as shown above were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

The District has transaction accounts that are covered under Federal Deposit Insurance Corporation (FDIC) insurance. The FDIC insurance limit for cash accounts is \$250,000. The carrying amount of the District's deposits as of December 31, 2023 was \$3,822,983. The bank balances were \$3,548,487, which at various times throughout 2023 were in excess of FDIC insured amounts but were covered in full through PDPA.

The District invested \$1,069,251 in the Colorado Local Government Liquid Asset Trust (the Trust); an investment vehicle established for local government entities in Colorado to pool surplus funds. The Trust operates under the authority and in conformity with Part 6 of Article 75 of Title 24 of the Colorado State Revised Statutes. Investment objective and strategies of the Trust are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The Trust offers same day access to the investment funds and there are no maximum transaction amounts and withdrawals may be made daily.

SOUTHWESTERN WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

COLOTRUST PLUS+ and COLOTRUST PRIME are rated 'AAAm' by S&P Global Ratings. The Trust's financial statements can be obtained on its website at <http://www.colotrust.com>.

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

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

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

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2023, the District did not hold any such investments requiring additional disclosure.

Concentration of credit risk - The District places no limit on the amount that may be invested in any one issuer, except for corporate securities. As of December 31, 2023, the District did not hold any such investments requiring additional disclosure.

Interest rate risk - Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The dollar weighted average days to maturity (WAM) of COLOTRUST PLUS+ at December 31, 2023, is 44 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of COLOTRUST PLUS+ at December 31, 2023, is 71 days. The dollar weighted average days to maturity (WAM) of COLOTRUST PRIME at December 31, 2023, is 31 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of COLOTRUST PRIME at December 31, 2023, is 57 days. The District's certificates of deposits maturity range from 1 to 3 years. As of December 31, 2023, the District did not hold any investments with a maturity over 24 months.

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

4. CAPITAL ASSETS

A summary of changes in general capital assets during the year ended December 31, 2023 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 62,000	\$ -	\$ -	\$ 62,000
Capital assets being depreciated:				
Furniture and equipment	41,355	-	(4,989)	36,366
Office improvements	14,905	-	-	14,905
Total depreciable capital assets	56,260	-	(4,989)	51,271
Less accumulated depreciation	(43,049)	(2,261)	4,989	(40,321)
Capital assets being depreciated, net	13,211	(2,261)	-	10,950
Capital assets, net	\$ 75,211	\$ (2,261)	\$ -	\$ 72,950

Depreciation expense for the year ended December 31, 2023 was \$2,261 and was charged to government activities expense.

5. PROPERTY TAXES RECEIVABLE

The District reports deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The \$1,754,445 of property taxes receivable is unavailable revenue representing property tax levied in 2023 but not available until 2024.

6. LEASE AGREEMENTS

In 2018, the District entered a five-year lease commencing November 1, 2018, terminating on October 31, 2023, for the business office in the West Building, located at 841 E 2nd Avenue in Durango. Lease payments are made monthly with a base amount plus their proportionate share of utilities. The lease was renewed effective November 1, 2023 for another five years. This lease is required to be reported in accordance with the requirements of GASB 87, *Leases*, which requires that the District recognize a right of use asset and liability for the present value of the future lease payments.

The District's base rent expense for the lease was \$23,419 and included the District's proportionate share of the office's monthly janitorial service, electric, water, sewer, trash, gas charges, storage space, and parking space rentals. Annually the base rent will increase two percent through the lease term. For the year ended December 31, 2023, total payments on the lease due is \$20,202. The present value of the right of the lease liability is determined using the five year constant maturity which is 3.84%.

As of the reporting date, the remaining lease term with total minimum lease payments including interest as of December 31st are as follows:

Year ending December 31,	Principal	Interest	Total
2024	\$ 19,718	\$ 3,779	\$ 23,497
2025	20,967	3,000	23,967
2026	22,274	2,172	24,446
2027	23,643	1,293	24,936
2028	20,758	367	21,125
	<u>\$ 107,360</u>	<u>\$ 10,611</u>	<u>\$ 117,971</u>

SOUTHWESTERN WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

7. RETIREMENT PLAN

The District has a 457b retirement plan for full-time employees. It is a defined contribution plan and is administered by Lincoln Financial Group. The District will match up to 5% of the employee's annual salary to the plan. The contributions into the Plan are fully vested immediately, foregoing any purpose for forfeitures. The District contributed \$9,163 during the year ended December 31, 2023.

8. COLORADO TABOR

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

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

At December 31, 2023, the District had restricted \$46,733 in the General Fund for declared emergencies.

9. RISK MANAGEMENT

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

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

The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at 303-863-1733 in the Denver metro area and 1-800-886-1733 from outside the metro area.

10. CLAIMS AND LITIGATION

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

SOUTHWESTERN WATER CONSERVATION DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

11. SUBSEQUENT EVENT

The District has evaluated subsequent events through September 23, 2024, the date which the financial statements were available to be issued. There were no material subsequent events that required additional disclosure in the financial statements.

The State of Colorado passed SB22-238 requiring reimbursement to local governments for lost property tax revenue resulting from reductions in valuations. As a result, the District received a total of \$47,841 during April and May 2024.

The District held several certificates of deposits that matured during 2024. Those certificates were either renewed with similar terms or transferred into government bonds.

The State of Colorado approved 2024 tax disbursements through a special session. Due to the delay in approval in January 2024 instead of 2023, the 2024 calendar has changed.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWESTERN WATER CONSERVATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GENERAL FUND - BUDGET AND ACTUAL For the Year Ended December 31, 2023

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Property Taxes.....	\$ 1,646,892	\$ 1,624,826	\$ (22,066)
TIF Reimbursement.....	1,104	1,033	(71)
Specific Ownership taxes.....	120,000	152,414	32,414
Interest and penalties.....	35,500	39,677	4,177
Interest Income.....	55,000	130,097	75,097
Water Information Program.....	37,550	45,015	7,465
Water Seminar Registration.....	10,000	8,173	(1,827)
Stream gaging.....	-	29,415	29,415
Total revenues.....	1,906,046	2,030,650	124,604
EXPENDITURES			
General Government			
Board Expenses.....	35,000	31,433	3,567
Insurance.....	8,500	8,522	(22)
Administration			
Personnel.....	245,950	229,779	16,171
County treasurer's fees.....	54,105	45,169	8,936
Other services.....	75,000	24,904	50,096
Rent.....	32,680	31,721	959
Dues and subscriptions.....	22,500	19,483	3,017
Supplies.....	9,500	6,248	3,252
Professional and technical services.....	15,000	22,241	(7,241)
Water conservation activities			
Legal.....	400,000	268,939	131,061
Other district support.....	295,930	274,223	21,707
San Juan Recovery Program User Committee.....	55,260	55,940	(680)
Engineering.....	225,000	186,857	38,143
Stream gaging - Federal.....	53,081	56,097	(3,016)
Lobbying.....	79,100	73,366	5,734
Weather modification.....	81,000	78,567	2,433
Water education.....	67,000	58,821	8,179
Stream gaging - Colorado.....	2,640	2,455	185
Water Information Program.....	80,100	72,167	7,933
Total operating expenditures.....	1,837,346	1,546,932	290,414
Other Expenditures			
Capital outlay.....	5,000	-	5,000
Emergency contingency.....	56,980	-	56,980
Total other expenditures.....	61,980	-	61,980
Total expenditures.....	1,899,326	1,546,932	352,394
Net change in fund balance.....	6,720	483,718	476,998
Fund balance, beginning.....	4,147,304	4,460,948	313,644
Fund balance, ending.....	\$ 4,154,024	\$ 4,944,666	\$ 790,642