
Colorado River Water Conservation District
Financial Statements

December 31, 2020

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**Colorado River Water Conservation District
2020 Board of Directors**

Name	Position	County
Dave Merritt	President	Garfield
Martha “Marti” Whitmore	Vice President	Ouray
Thomas M. Alvey	Director	Delta
Kathy Chandler-Henry	Director	Eagle
Mike Ritschard	Director	Grand
William S. Trampe	Director	Gunnison
Stan Whinnery	Director	Hinsdale
Steve Acquafresca	Director	Mesa
Tom Gray	Director	Moffat
Marc Catlin	Director	Montrose
John M. Ely	Director	Pitkin
Alden “Al” Vanden Brink	Director	Rio Blanco
Doug Monger	Director	Routt
Rebie Hazard	Director	Saguache
Karn Stiegelmeier	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 or parts of the Colorado River main-stem, Yampa, White, Green, Gunnison, Uncompahgre and Dolores River drainages 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 legislation states that the District shall be managed and controlled by a board of fifteen 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 2021 those counties are Garfield, Gunnison, Montrose, Ouray, and Rio Blanco 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 one or two days. However, COVID19 hampered the ability to meet in person, and the Board quickly adapted to Zoom meetings. For 2021 the start dates are:

January 19, 2021
April 20, 2021
July 20, 2021
October 19, 2021

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” and a “Capital Projects 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) the Elkhead Reservoir, in the Yampa River basin.

A full-time staff of 22 consisting of managers, general and associate counsels, water resource engineers and specialists, project caretakers, public affairs, legal and administrative support personnel carries out the activities of the District as directed by the Board. Personnel costs are split between the Enterprise and General Funds based on estimated percentage of time spent.

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.

In the summer of 2008, the national economic slowdown began impacting most areas within the District. This slowdown impacted the rate of growth in the energy and second home sectors. The River District’s assessed valuation peaked in 2009. It dropped significantly in 2010, 2011 and 2013. This can be attributed to a dramatic decrease in Oil and Gas development and related foreclosures. There were slight improvements in 2015 and 2019. The 2020 valuations are 19% below the 2009 peak. 2020 was a year marked by extraordinary events. Real estate values within the District were, at worst, unscathed and quite possibly a beneficiary of the pandemic as individuals and families sought independence, greater distances from one and other, and a retreat from crowded urban cities. Of course, many businesses and individuals suffered financially due

to Coronavirus inspired limitations and closures intended to mitigate the risk of virus spread and overwhelming the health care system. With 2021 being a reassessment year for property taxes, the District should see an increase from the 2020 valuations.

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. 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 2019, the population of the River District increased by 103%. This is a greater rate of growth than the six counties in the Denver Metro area, which increased from 1,618,461 to 2,909,317 (79.8%) or the state of Colorado which increased from 2,889,964 to 5,763,976 (99.5%).

<u>County</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>	<u>% Chg.1980-2019</u>
Delta	21,225	20,980	27,834	30,889	31,173	46.87%
Eagle	13,320	21,928	41,659	52,057	55,070	313.44%
Garfield	22,514	29,974	43,791	56,150	60,168	167.25%
Grand	7,475	7,966	12,445	14,790	15,718	110.27%
Gunnison	10,689	10,273	13,956	15,309	17,495	63.67%
Hinsdale	408	467	790	843	819	100.74%
Mesa	81,530	93,145	116,225	147,155	154,933	90.03%
Moffat	12,133	11,357	13,184	13,806	13,252	9.22%
Montrose	24,352	24,423	33,432	41,188	42,765	75.61%
Ouray	1,925	2,295	3,742	4,446	4,934	156.31%
Pitkin	10,338	12,661	14,872	17,156	17,756	71.75%
Rio Blanco	6,255	5,972	5,986	6,617	6,307	0.83%
Routt	13,404	14,088	19,690	23,439	25,652	91.38%
Saguache	3,935	4,619	5,917	6,144	6,824	73.42%
Summit	8,848	12,881	23,598	28,073	30,983	250.17%
TOTALS	238,351	273,029	377,121	458,062	483,849	103.00%

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 2020-2021 timeframe. Growth rates 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 levy 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, the mill levy changed as an inverse relationship to the change in the assessed valuation. However, in November 2020, voters in the District approved Ballot Issue 7A, which, starting in 2021 increases the levy to half a mill and eliminates the spending and revenue caps under TABOR, which 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 is expected to raise approximately \$4.9 million in additional revenue in 2021. The District’s Fiscal Implementation Plan allocates approximately 86%, or \$4.2 million annually for the Community Funding Program, which will fund projects identified as priorities by the District and local communities within the District.

FIGURE A: ASSESSED VALUATION VS. MILL LEVY

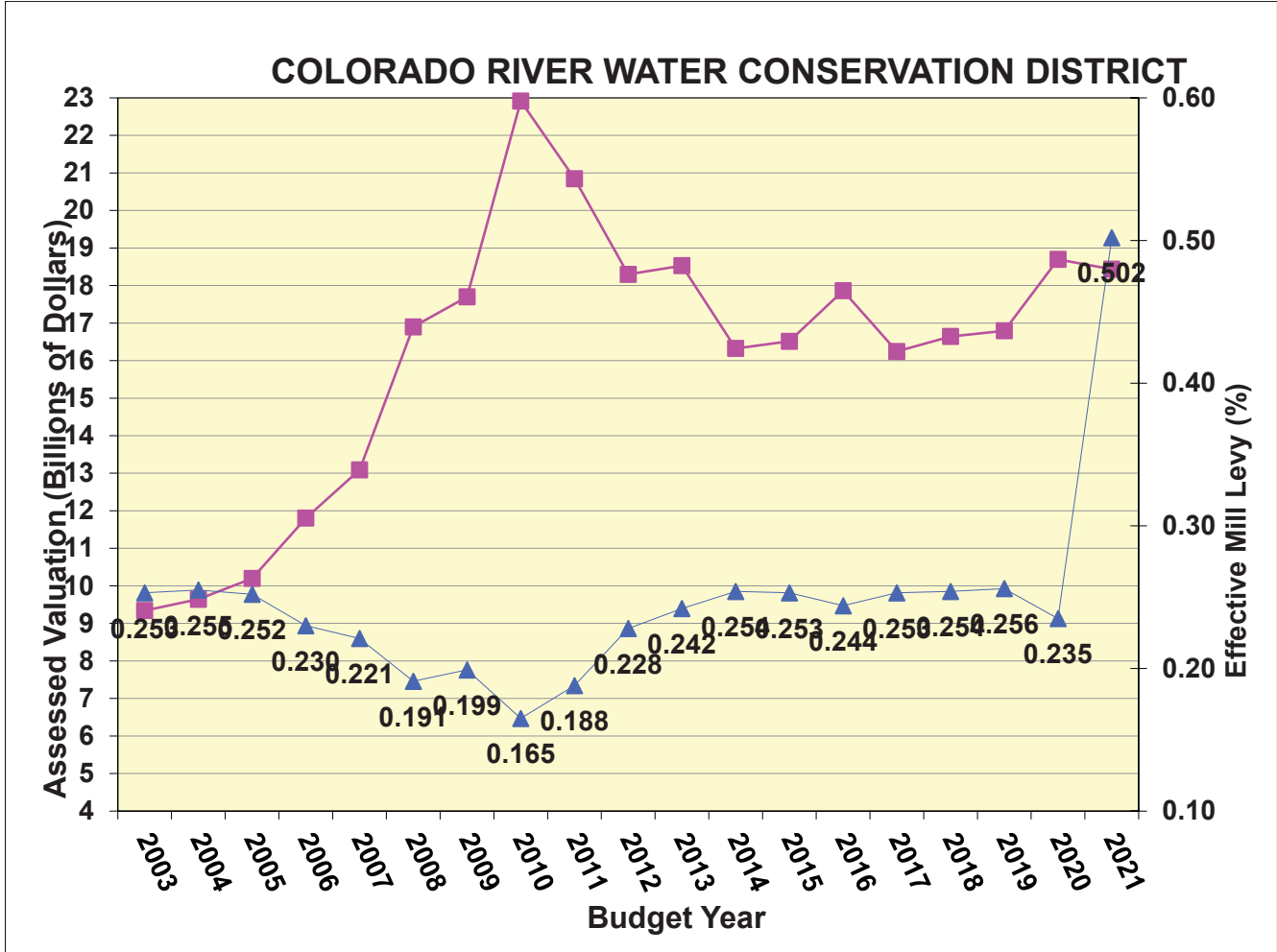
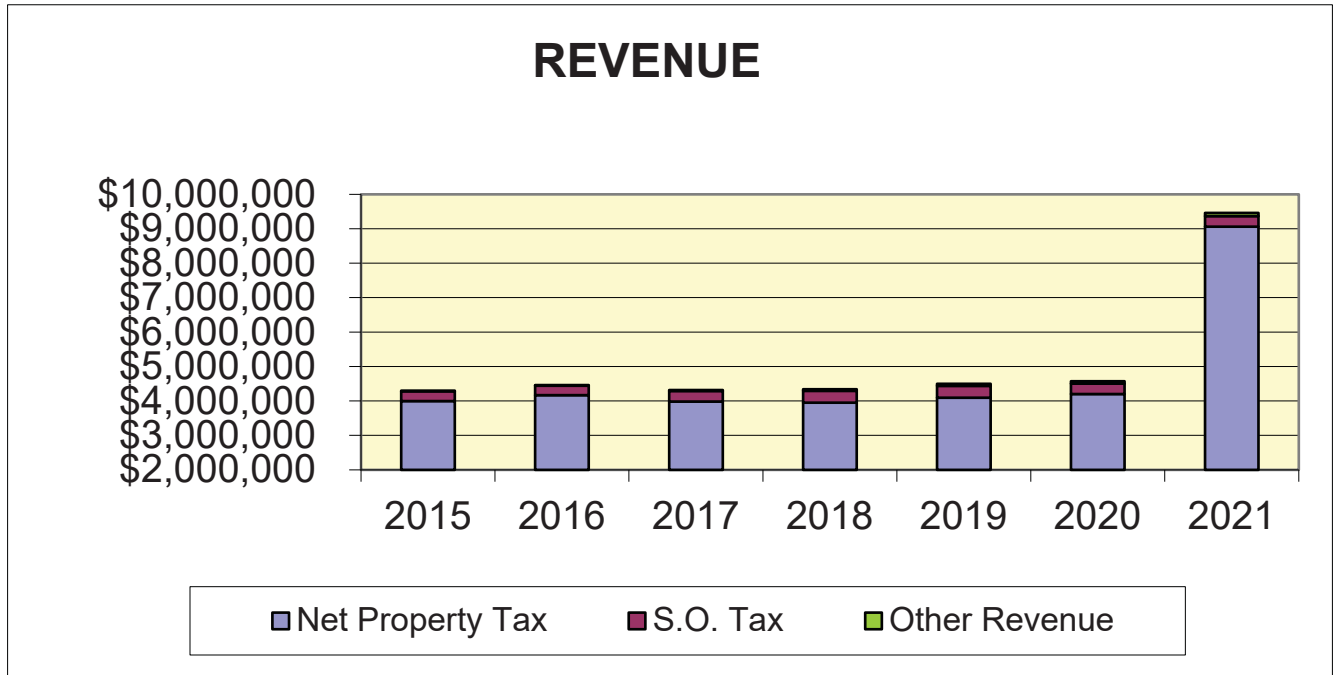


FIGURE B: BUDGETED GENERAL REVENUES



In addition to the property taxes, the River District has revenues from the specific ownership tax and interest. In 2020 the River District collected \$318,579 in specific ownership taxes (a decrease of 8% from 2019).

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 1.0%).

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 holds a 40.0% interest in the capacity and water storage of the Enterprises’ primary asset – Wolford Mountain Reservoir. Starting in 2021, Denver Water will pay a 45.3% share of the actual costs of operating, maintaining, and repairing the Wolford Mountain Reservoir.

The concept of the River District-Denver Water agreement for Wolford Mountain Reservoir was that the Denver Water’s lease revenues provide the Enterprise with a revenue stream that exceeds the actual cost of the project’s construction. These excess revenues would then provide a source of “seed money” to assist with the development of additional Enterprise assets and to build and maintain a significant capital reserve should significant maintenance and/or repair work be needed on the Enterprise Assets.

In addition to the Denver Water lease revenues, 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, 2,457 acre feet of Elkhead Reservoir water, and 11,413 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. 1250-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 (3,707-1,250=2,457). In January 2021, the Board approved an adjustment to the post 2006 water contracts by 1.7%.

The following table shows the total water sold through contracts and water sales revenues received or billed for water project years for 2002-2020.

<u>Water Project Year</u>	<u>Water Under Contract</u>	<u>Revenue Received</u>
2002/2003	3603 a.f.	\$488,612
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	5167a.f.	\$1,515,892

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 hot drought linked definitively to climate change. Drought conditions prevailed through 2004. There was some relief from the drought from 2005 through 2011. Wolford Mountain Reservoir filled and spilled each year from 2006-2011. 2012 saw a return to drought conditions. In Water Year 2020, the snowpack and water supply in the Upper Colorado River Basin runoff volumes were much smaller than originally forecasted in April, following a near average snow accumulations season, due to hot and dry conditions throughout the summer.

Continuing a trend that started in April of 2020, water supply conditions remain well below average in the Upper Colorado River Basin. Due to persistent dry conditions, reservoir storage conditions are below average within most of the District and with the exception of the Upper Colorado headwaters region, many large water storage facilities have less than average carryover storage. Any additional extension of drought conditions may require the River District to redirect resources to help mitigate drought related problems.

The following graph (Figures C) show storage levels in the District's Wolford Mountain Reservoir from January 2005 through January 2021. The significant drawdown in Wolford Mountain Reservoir during 2018 was due in large part to scheduled construction on the Ritschard Dam. 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 overuse throughout the Lower Colorado River region.

FIGURE C: WOLFORD MOUNTAIN RESERVOIR STORAGE

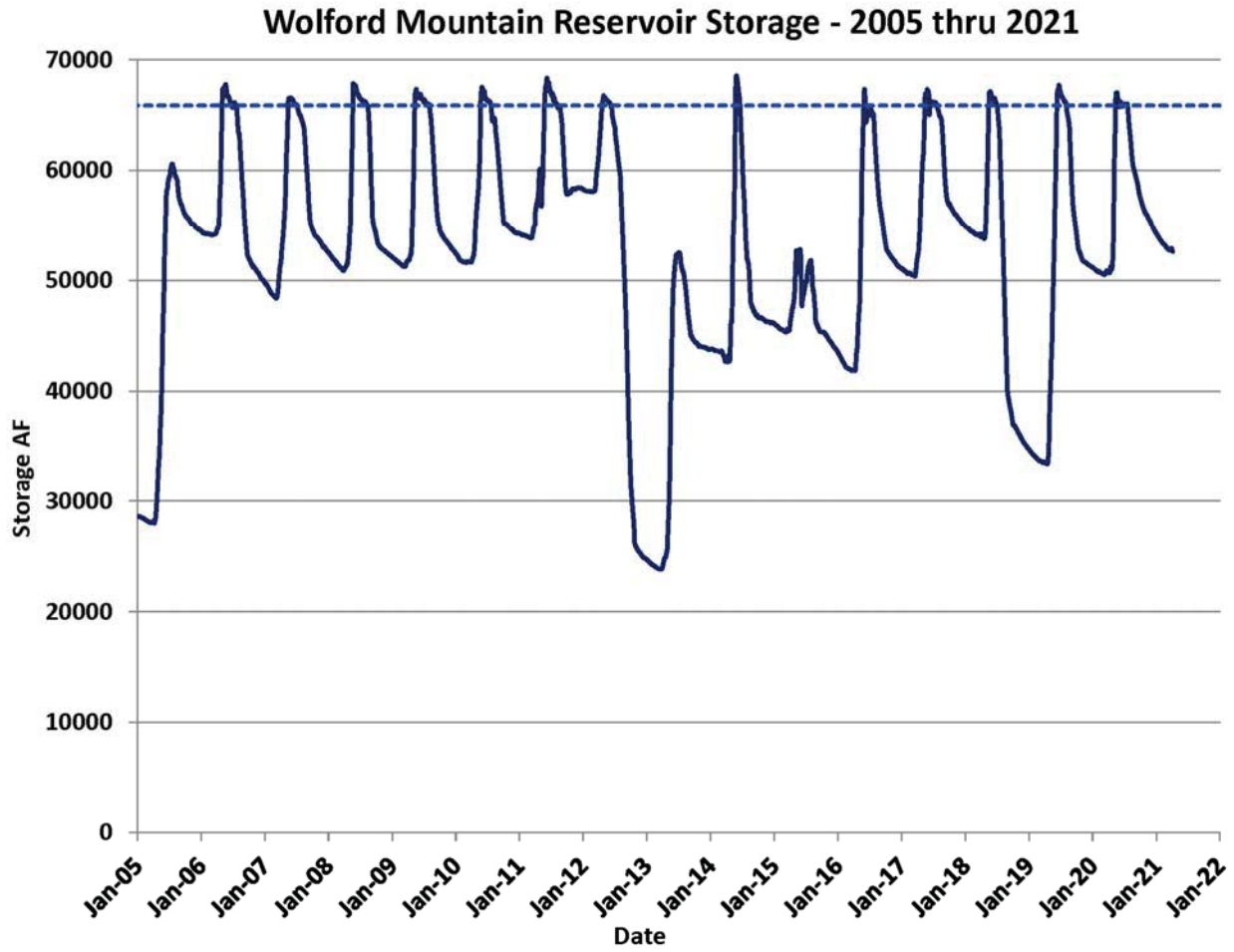
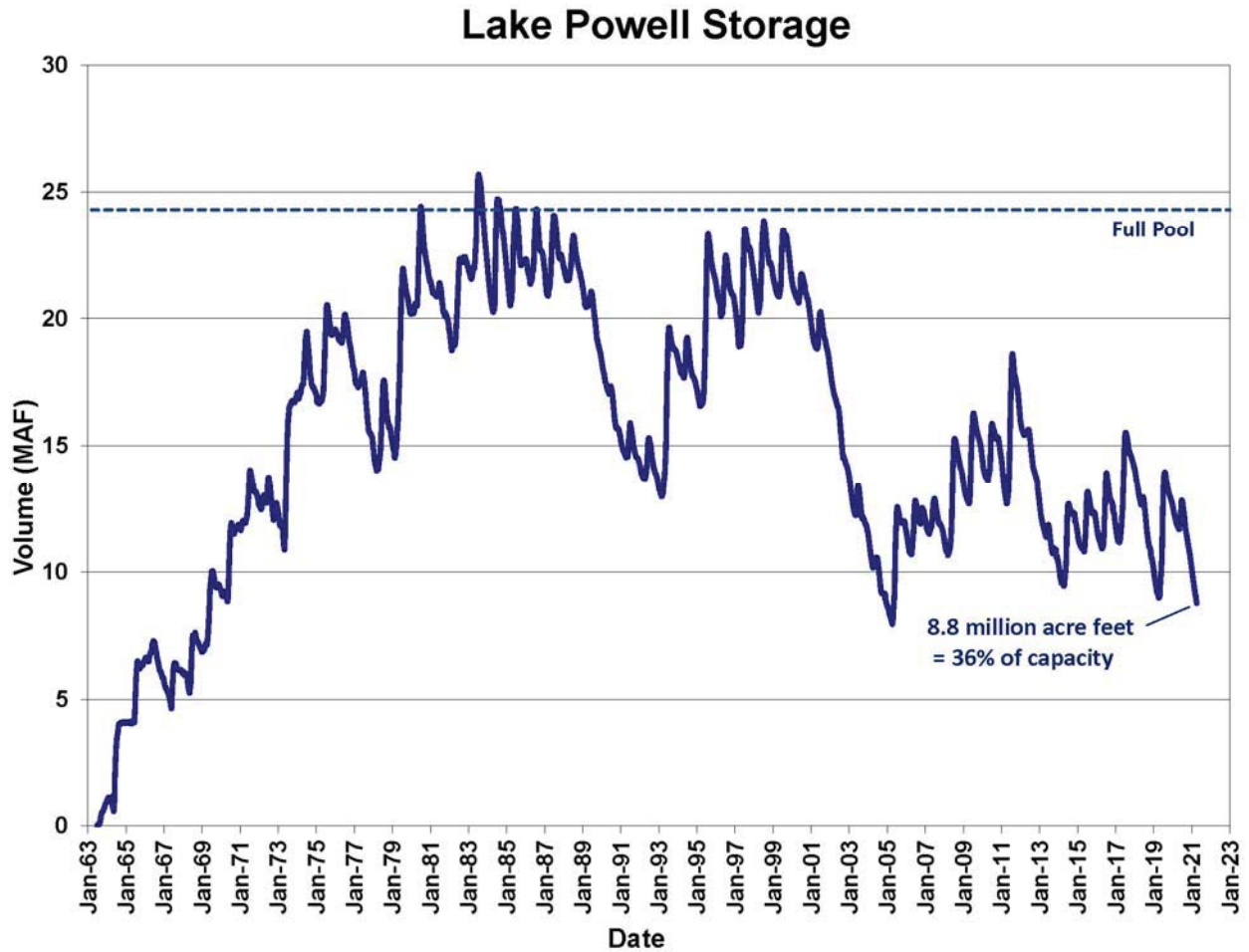


FIGURE D: LAKE POWELL STORAGE



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 \$91,041 on special counsel, mediation and expert consultants related to pending and anticipated litigation during the year 2020. Those costs are expected to increase in 2021 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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colorado River Water Conservation District (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colorado River Water Conservation District as of December 31, 2020, 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.

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Colorado River Water Conservation District



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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 16 - 23 and the General Fund Budgetary Comparison Schedule on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The statements and schedules on pages 51 - 53 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying introductory section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and is not a required part of the District's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 4, 2021

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 two separate budgets: a General Fund and a Capital Projects 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 of 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 and Capital Projects funds are reported here. Property taxes, specific ownership taxes, 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 and Capital Project funds are reported as a governmental fund, which focuses on how money flows into and out of the General fund and the balances left at year-end that are available for transfer to its 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 2020

Governmental Activities

- As of December 31, 2020, the net position of the District's governmental activities were \$24,405,534, a 33% increase from the prior year.

Business-Type Activities

- As of December 31, 2020, total Enterprise assets were \$89,463,976, a 2.3% decrease from the prior year.
- In 2020, revenues from water sales increased 5% to \$1,515,892.
- Total Business-type activities liabilities decreased 19% to \$1,025,243.

HIGHLIGHTS for fiscal year 2019

Governmental Activities

- As of December 31, 2019, the net position of the District's governmental activities held \$18,379,421 in total assets.

Business-Type Activities

- As of December 31, 2019, total Enterprise assets were \$91,632,221, a 1% decrease from the prior year.
- In 2019, revenues from water sales increased 21% to \$1,438,987.
- Total Business-type activities liabilities increased 15% to \$1,267,528.

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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<u>Assets:</u>						
Current Assets	\$ 17,847	\$ 11,764	\$ 29,995	\$ 30,164	\$ 47,842	\$ 41,928
Capital assets, Net	6,508	6,540	54,090	55,045	60,598	61,585
Other Assets	51	76	5,404	5,686	5,455	5,762
Total Assets	<u>\$ 24,406</u>	<u>\$ 18,380</u>	<u>\$ 89,489</u>	<u>\$ 90,895</u>	<u>\$ 113,895</u>	<u>\$ 109,275</u>
<u>Liabilities:</u>						
Current Liabilities	<u>898</u>	<u>423</u>	<u>1,050</u>	<u>1,268</u>	<u>1,948</u>	<u>1,691</u>
Deferred inflows of resources, unavailable revenue-property taxes	<u>\$ 9,255</u>	<u>\$ 4,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,255</u>	<u>\$ 4,390</u>
<u>Net Position</u>						
Net Investment in Capital Assets	6,508	6,540	54,090	55,045	60,598	61,585
Restricted for emergencies	128	121	-	-	128	121
Unassigned	7,617	6,906	34,349	34,583	41,966	41,489
Total Net Position	<u>\$ 14,253</u>	<u>\$ 13,567</u>	<u>\$ 88,439</u>	<u>\$ 89,628</u>	<u>\$ 102,692</u>	<u>\$ 103,195</u>

STATEMENT OF ACTIVITIES

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

Years ended December 31,	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>Program Revenues:</u>					
Charges for Services	\$ -	\$ -	\$ 1,817	\$ 1,786	\$ 1,817	\$ 1,786
Grants/Contributions	-	-	1,712	2,067	1,712	2,067
Total Program Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,529</u>	<u>\$ 3,853</u>	<u>\$ 3,529</u>	<u>\$ 3,853</u>
<u>General Revenues:</u>						
Property Taxes	4,317	4,244	-	-	4,317	4,244
Specific Ownership Taxes	319	346	-	-	319	346
Interest/Investments	51	171	391	755	442	926
Miscellaneous	36	14	-	-	36	14
Total General Revenues	<u>\$ 4,723</u>	<u>\$ 4,775</u>	<u>\$ 391</u>	<u>\$ 755</u>	<u>\$ 5,114</u>	<u>\$ 5,530</u>
Total Revenues	<u>\$ 4,723</u>	<u>\$ 4,775</u>	<u>\$ 3,920</u>	<u>\$ 4,608</u>	<u>\$ 8,643</u>	<u>\$ 9,383</u>
<u>Program Expenses</u>						
General Government	850	494	-	-	850	494
Projects & Engineering	588	570	5,108	5,505	5,696	6,075
Professional & Legal	2,526	2,665	-	-	2,526	2,665
Other Administration	26	53	-	-	26	53
Unallocated Depreciation	45	45	-	-	45	45
Total Expenses	<u>\$ 4,035</u>	<u>\$ 3,827</u>	<u>\$ 5,108</u>	<u>\$ 5,505</u>	<u>\$ 9,143</u>	<u>\$ 9,332</u>
Increase(decrease) in Net Position	<u>\$ 688</u>	<u>\$ 948</u>	<u>\$ (1,188)</u>	<u>\$ (897)</u>	<u>\$ (500)</u>	<u>\$ 51</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,	2020	2019
Total Assets - General Fund	\$ 13,797	\$ 7,680
Total Assets - Capital Fund	4,101	4,159
Total Assets	\$ 17,898	\$ 11,839
Total Liabilities - General Fund	620	179
Total Liabilities - Capital Fund	3	3
Total Liabilities	\$ 623	\$ 182
Deferred inflows of resources, unavailable revenue-property taxes	\$ 9,255	\$ 4,390
Fund Balance		
Restricted (approx. TABOR 3%)	128	121
Assigned (3 months expenses)	1,007	1,007
Assigned (Capital Projects Fund)	4,098	4,156
Unassigned	2,788	1,984
Total Fund Balance	\$ 8,021	\$ 7,268

The increase in Total Fund Balance is primarily due to an increase in assets.

REVIEW OF EXPENSES - BUDGETARY COMPARISON - GOVERNMENTAL FUNDS

(In Thousands)

Years ended December 31,	2020 Actual	2020 Budget
County Treasurer's Fees	\$ 153	\$ 166
Director's Fees, Salary & Expenses	26	48
Professional and Legal	2,491	2,860
General Government	212	267
External Affairs	473	512
Project Expenses	574	694
Emergency and Contingency	-	128
Capital Outlay	41	64
Total Expenses	\$ 3,970	\$ 4,739

BUDGETARY HIGHLIGHTS

Changes between actual expenditures and budgeted amounts were primarily due to efforts to reduce salary and overhead expenses. Additionally, the District has not spent emergency and contingency budgeted amounts. In 2020, actual expenses were less than budgeted by approximately \$670,000 for the General Fund and \$98,000 for the Capital Projects Fund.

PROPRIETARY FUND (Enterprise Fund)

STATEMENT OF NET POSITION

(In Thousands)

Years ended December 31,	2020	2019
Current Assets	\$ 29,995	\$ 30,164
Capital Assets (Net)	54,090	55,045
Other Assets	5,404	5,686
Total Assets	<u>\$ 89,489</u>	<u>\$ 90,895</u>
Current Liabilities	1,050	1,268
Total Liabilities	<u>\$ 1,050</u>	<u>\$ 1,268</u>
Net Position		
Net Investment in Capital Assets	54,090	55,045
Unrestricted	34,349	34,583
Total Net Position	<u>\$ 88,439</u>	<u>\$ 89,628</u>

REVIEW OF REVENUES AND LEASE RECEIPTS

(In Thousands)

Years ended December 31,	2020	2019
Water Sales & Leases	\$ 2,994	\$ 4,439
Interest Income (Loss)	390	756
Management Fee	5	6
Elkhead Operations Reimbursements	77	129
Grants & Contributions	1,640	1,938
Miscellaneous & Others	265	100
Total Revenues	<u>\$ 5,371</u>	<u>\$ 7,368</u>

The overall decrease in revenue for the Proprietary Fund are due primarily to the end of the Wolford Mountain Reservoir lease payments from the Denver Water Board, and reimbursement funding of project efforts in the Gunnison basin.

CAPITAL ASSETS AND DEBT ADMINISTRATION - DISTRICT WIDE

(In Thousands)

Years ended December 31,	2020	2019
Governmental Type Activities:		
Land	\$ 115	\$ 115
Building	1,219	1,219
Equipment, Furniture & Fixtures	396	381
Total Governmental Assets	1,730	1,715
Accumulated Depreciation	(1,029)	(982)
Net Governmental Assets	\$ 701	\$ 733
Business Type Activities:		
Land	\$ 3,091	\$ 3,091
Building	1,505	1,505
Dam Project	66,176	66,154
Recreation Area	1,254	1,222
Vehicles & Other Equipment	520	451
Total Business Type Activity Assets	72,546	72,423
Accumulated Depreciation	(18,457)	(17,379)
Net Business Type Assets	\$ 54,089	\$ 55,044
Other Assets:		
Contracts & Shares	5,372	5,651
Total Business Type & Other Assets (Net)	\$ 59,461	\$ 60,695

The changes in 2020 are primarily due to the work being done at Wolford Reservoir to improve the recreation area and prevent the introduction of Aquatic Nuisance Species. Please see figure 7 for more details.

DEBT OUTSTANDING

The District does not have any Business-Type long term debt. The River District paid off the Elkhead Reservoir loan in 2016. The River District paid off the Wolford Mountain Reservoir loan in 2012. This business decision was approved by the District’s Board since the interest on the loan was far greater than our investment income.

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. From 2004 to 2009, the District's increase in assessed valuations was primarily due to the development of natural gas and oil resources in Western Colorado. Due to a number of factors affecting the oil and gas market, District management believes that the assessed valuations of oil and gas will be flat or declining in the near and long-term., however, 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, 2020	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Assets	<u>Activities</u>	<u>Activities</u>	
<i>Current Assets</i>			
Cash and cash equivalents	\$ 8,410,822	\$ 19,997,453	\$ 28,408,275
Investments	-	9,710,832	9,710,832
Property taxes receivable	9,281,404	-	9,281,404
Internal balances	40,489	(40,489)	-
Accrued interest	-	20,231	20,231
Other current assets	113,911	306,944	420,855
Total Current Assets	17,846,626	29,994,971	47,841,597
<i>Noncurrent Assets</i>			
Investments in reservoir stock and contracts	-	5,372,491	5,372,491
Notes receivables, net	51,372	31,790	83,162
Capital Assets			
Nondepreciable	5,921,604	3,091,477	9,013,081
Depreciable	1,614,695	69,455,181	71,069,876
Less accumulated depreciation	(1,028,764)	(18,456,698)	(19,485,462)
Total Noncurrent Assets	6,558,907	59,494,241	66,053,148
Total Assets	\$ 24,405,533	\$ 89,489,212	\$ 113,894,745
Liabilities			
<i>Current Liabilities</i>			
Accounts payable	\$ 622,666	\$ 196,902	\$ 819,568
Accrued salaries and payroll taxes	-	9,786	9,786
Compensated absences	275,468	123,090	398,558
Unearned revenues	-	720,699	720,699
Total Liabilities	898,134	1,050,477	1,948,611
Deferred Inflows of Resources			
Property taxes	9,254,720	-	9,254,720
Net Position			
Investment in capital assets	6,507,535	54,089,960	60,597,495
Restricted for:			
Emergencies	127,945	-	127,945
Unrestricted	7,617,199	34,348,775	41,965,974
Total Net Position	14,252,679	88,438,735	102,691,414
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 24,405,533	\$ 89,489,212	\$ 113,894,745

See Notes to the Basic Financial Statements

Statement of Activities

December 31, 2020

Functions/Programs	Program Revenues			Change in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities						
County treasurers' fees	\$ 153,297	-	-	\$ (153,297)	-	\$ (153,297)
Directors' fees, salary & expense	25,808	-	-	(25,808)	-	(25,808)
Professional and legal	2,526,012	-	-	(2,526,012)	-	(2,526,012)
General government	224,115	-	-	(224,115)	-	(224,115)
External affairs	472,769	-	-	(472,769)	-	(472,769)
Project expense	588,183	-	-	(588,183)	-	(588,183)
Depreciation - unallocated	47,115	-	-	(47,115)	-	(47,115)
Total Governmental Activities	4,037,299	-	-	(4,037,299)	-	(4,037,299)
Business-Type Activities						
Water Supply & Project Mgmt.	5,108,701	1,817,320	1,712,415	-	(1,578,966)	(1,578,966)
Total Business-Type Activities	5,108,701	1,817,320	1,712,415	-	(1,578,966)	(1,578,966)
Total District	\$9,146,000	\$1,817,320	\$1,712,415	(\$4,037,299)	(\$1,578,966)	(5,616,265)
General Revenues						
Taxes						
Property taxes				\$ 4,317,161	\$ -	\$ 4,317,161
Specific ownership taxes				318,579	-	318,579
Interest and investment earnings				51,210	390,598	441,808
Miscellaneous				36,162	-	36,162
Total General Revenues				4,723,112	390,598	5,113,710
Changes in Net Position						
Net Position - Beginning of the Year				13,566,866	89,627,103	103,193,969
Net Position - End of the Year				\$ 14,252,679	\$ 88,438,735	\$ 102,691,414

See Notes to the Basic Financial Statements

Governmental Funds Balance Sheet

December 31, 2020	General	Capital Projects	Total
Assets	Fund	Fund	Governmental Funds
Cash and cash equivalents	\$ 4,309,946	\$ 4,100,876	\$ 8,410,822
Property taxes receivable	9,281,404	-	9,281,404
Due from other funds	40,489	-	40,489
Other current assets	113,911	-	113,911
Notes receivable (net of allowance of \$75,000)	51,372	-	51,372
Total Assets	\$ 13,797,122	\$ 4,100,876	\$ 17,897,998
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 619,996	\$ 2,669	\$ 622,665
 Deferred inflows of Resources			
Unavailable revenue-property taxes	9,254,720	-	9,254,720
 Fund Balances			
Restricted for emergencies	127,945	-	127,945
Assigned (3 months expenses)	1,006,713	-	1,006,713
Assigned for Capital Projects	-	4,098,207	4,098,207
Unassigned	2,787,748	-	2,787,748
Total Fund Balances	3,922,406	4,098,207	8,020,613
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,797,122	\$ 4,100,876	\$ 17,897,998

See Notes to the Basic Financial Statements

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

December 31, 2020

Total Fund Balances - Governmental Funds	\$ 8,020,613
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds	6,507,535
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds: Compensated absences	<u>(275,468)</u>
Total Net Position - Governmental Activities	<u>\$ 14,252,680</u>

See Notes to the Basic Financial Statements

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

December 31, 2020	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 4,317,161	\$ -	\$ 4,317,161
Specific ownership taxes	318,579	-	318,579
Investment income	19,893	23,199	43,092
Property tax interest	8,119	-	8,119
Miscellaneous	36,162	-	36,162
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 4,699,914	\$ 23,199	\$ 4,723,113
Expenditures			
<i>Current Operating</i>			
County treasurers' fees	153,297	-	153,297
Directors' fees, salary and expense	25,808	-	25,808
Professional and legal	2,491,060	-	2,491,060
General government	198,167	40,802	238,969
Project expenses	547,692	14,191	561,883
External affairs	472,769	-	472,769
Grant program	-	26,300	26,300
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 3,888,793	\$ 81,293	\$ 3,970,086
Net Change in Fund Balance	\$ 811,121	\$ (58,094)	\$ 753,027
Fund Balance			
Fund Balances - Beginning of Year	<hr/> 3,111,285	<hr/> 4,156,301	<hr/> 7,267,586
Fund Balances - End of Year	<hr/> <u>\$ 3,922,406</u>	<hr/> <u>\$ 4,098,207</u>	<hr/> <u>8,020,613</u>

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

December 31, 2020

Total Change in Fund Balances - Governmental Funds \$ 753,027

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	14,854
Depreciation Expense	(47,115)

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>(34,952)</u>
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Change in Net Position of Governmental Activities \$ 685,814

See Notes to the Basic Financial Statements

Statement of Net Position – Proprietary Funds

December 31, 2020	Business-Type Activity Enterprise Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 21,493,911
Investments	8,214,374
Accounts receivable	306,944
Due from (to) other funds	(40,489)
Accrued interest receivable	20,231
Total Current Assets	29,994,971
Capital Assets	
Nondepreciable	
Land	3,091,477
Depreciable	
Office building	1,504,865
Vehicles, equipment, furniture and fixtures	520,373
Dam project	66,175,850
Recreation area	1,254,093
Total Capital Assets	72,546,658
Less accumulated depreciation	(18,456,698)
Net Capital Assets	54,089,960
Other Assets	
Investment in Eagle Park Reservoir Company	2,368,121
Investment in Grand County Mutual Ditch & Reservoir Company	220,437
Investment in Ruedi Reservoir Contracts (net of accumulated amortization of \$4,467,266)	2,783,933
Notes receivable (net of allowance of \$25,000)	31,790
Total Other Assets	5,404,281
Total Assets	\$ 89,489,212
Liabilities	
Current Liabilities	
Accounts payable	196,902
FICA/Medicare Payable	9,786
Compensated absences	123,090
Unearned revenue	720,699
Total Liabilities	1,050,477
Net Position	
Investment in capital assets	54,089,960
Unrestricted	34,348,775
Total Net Position	88,438,735
Total Liabilities and Net Position	\$ 89,489,212

See Notes to the Basic Financial Statements

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

December 31, 2020	Business-Type Activity <u>Enterprise Fund</u>
Operating Revenues	
Denver Water interest income	\$ 48,972
Sale of water	1,494,484
Management fee	5,115
Other operating revenue	<u>268,749</u>
Total Operating Revenue	1,817,320
Operating Expenses	
Operating expenses	2,241,109
Depreciation and amortization	1,356,499
Administrative expense	<u>1,511,093</u>
Total Operating Expenses	5,108,701
Operating Income (loss)	(3,291,381)
Nonoperating Revenue (Expenses)	
Investment revenue	390,213
Joint venture gain (loss)	385
Intergovernmental revenue	<u>1,712,415</u>
Total Nonoperating Revenues	2,103,013
Change in net position	(1,188,368)
Total Net Position - Beginning of Year	<u>89,627,103</u>
Total Net Position - End of Year	<u><u>\$ 88,438,735</u></u>

See Notes to the Basic Financial Statements

Statement of Cash Flows – Proprietary Funds

December 31, 2020	Business-Type Activity Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,904,107
Payments to suppliers	(3,018,293)
Payments to employees	(950,958)
Net Cash (used for) Operating Activities	<u>(2,065,144)</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(123,042)
Net Cash (used for) Capital and Related Financing Activities	<u>(123,042)</u>
Cash Flows From Non-capital Financing Activities	
Intergovernmental	1,712,415
Interfund borrowing	40,500
Net Cash provided by Non-capital Financing Activities	<u>1,752,915</u>
Cash Flows From Investing Activities	
Purchase of investments	(6,967,494)
Proceeds from sale or maturity of investments	10,570,170
Interest received on investments and cash deposits	474,587
Principal received on lease contract	1,451,028
Net Cash provided by Investing Activities	<u>5,528,291</u>
Net Increase in Cash	5,093,020
Cash, Beginning of Year	14,904,433
Cash, End of Year	<u>\$ 19,997,453</u>

Reconciliation of operating loss to net cash used for operating activities	
Operating income	\$ (3,291,381)
<i>Adjustments to reconcile net operating income to net cash used in operating activities:</i>	
Depreciation, amortization and gain on disposal	1,356,500
Decrease in accounts and notes receivable	86,787
Decrease in accounts payable	(134,184)
Increase in accrued expenses	1,242
Decrease in prepaid water fees (unearned revenue)	(99,729)
Increase in compensated absences	15,621
Net Cash (used for) Operating Activities	<u>\$ (2,065,144)</u>

Noncash investing and financing activities:	
Income in joint ventures	\$ 385
See Notes to the Basic Financial Statements	

Statement of Fiduciary Net Position

December 31, 2020

Custodial Fund

Assets		
	Cash and investments	<u>\$ 309,992</u>
Net Position		
	Restricted for other governments	<u>\$ 309,992</u>

See Notes to the Basic Financial Statements

Statement of Changes in Fiduciary Net Position

December 31, 2020

	<u>Custodial Funds</u>
Additions:	
Contributions	\$ 130,504
Interest, dividends, and other	<u>65</u>
Total additions	<u>130,569</u>
Deductions:	
Distributions to shareholders	<u>-</u>
Total deductions	<u>-</u>
Net increase (decrease) In fiduciary net position	130,569
Net position-beginning	<u>179,423</u>
Net position-ending	<u><u>309,992</u></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.

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.

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 37% 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.

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 2020, 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.

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

Notes to the Basic Financial Statements

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.

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

Notes to the Basic Financial Statements

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 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.

Notes to the Basic Financial Statements

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, 2020, the District has \$127,945 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.

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 2020 tax levy is budgeted and levied for the fiscal year 2021, 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.

Notes to the Basic Financial Statements

2. Interfund Receivables/Payables and Transfers

Figure 1 - Individual interfund receivable and payable balances as of December 31, 2020 are as follows

	Due From Other Funds	Due to Other Funds
Major funds:		
General fund	\$ -	\$ (40,489)
Enterprise fund	(40,489)	-
	<u>\$ (40,489)</u>	<u>\$ (40,489)</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, 2020		
Cash on hand	\$ 639		
Deposits	7,537,216		
Investments	30,891,244		
	<u>\$ 38,429,099</u>		
	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash on Hand/Checking/Money Market	\$ 7,227,863	\$ 309,992	\$ 7,537,855
Local Government Investment Pools (LGIP)	21,180,412	-	21,180,412
Total Cash and Cash Equivalents	<u>28,408,275</u>	<u>309,992</u>	<u>28,718,267</u>
Investments	\$ 9,710,832	\$ -	9,710,832
Total cash, cash equivalents, and investments reported in District financial statements	<u>\$ 38,119,107</u>	<u>\$ 309,992</u>	<u>\$ 38,429,099</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 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.

Notes to the Basic Financial Statements

Figure 3 - Investments as of December 31, 2020

Investment name	Maturity	Fair value
Certificates of Deposit:		
NBH Bank	09/02/21	1,000,000
CCB Utah	10/29/21	247,859
CapOne	11/02/21	247,876
CapOne	11/02/21	247,876
Discover	11/02/21	247,876
Amer. Express	12/01/21	249,513
First Bank	03/04/22	247,063
Wells Fargo	03/14/22	252,923
Goldman Sachs	04/26/22	252,539
Amer. Express	05/03/22	252,313
Synchrony	06/02/22	139,467
Moreton	06/28/22	254,773
Mountain View	09/10/22	249,395
BMW	01/10/23	253,166
Texas Cap	02/07/23	245,975
Berkshire	04/06/23	251,534
Medallion	04/10/23	251,546
Merrick	04/10/23	251,826
Cadence	04/17/23	251,591
Pinnacle	05/08/23	248,273
UBS	06/13/23	134,518
Enerbank	10/25/23	256,221
Enterprise	11/08/23	255,993
Morgan Stanley	02/14/24	266,736
Morgan Stanley	02/14/24	266,736
TIAA	02/22/24	266,487
Third Federal Savings	05/21/24	249,305
HSBC	05/07/25	246,066
Texas Exchange	05/13/25	245,304
First Oklahoma	05/15/25	245,088
U.S. Government Agencies:		
FFCB	10/05/23	500,005
FFCB	11/30/23	1,134,989
Total		\$ 9,710,832

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
- Bankers' acceptances of certain banks
- Commercial paper

Notes to the Basic Financial Statements

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, 2020, 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. In addition, it is also the policy of the District that no more than 50% of the District's funds may be invested in any single money market mutual fund or in any single local government investment pool (LGIP). As of December 31, 2020, the District invested in three LGIPs (COLOTRUST PRIME, COLOTRUST PLUS and CSAFE) and one Institutional Money Market Funds none of which exceeded 50% of the total District funds.

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 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:

FFCB – 33.14%
FNMA – 13.92%
FHLB – 10.48%

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, 2020, the District's investments were not exposed to custodial credit risk.

The District was not subject to foreign currency risk as of December 31, 2020.

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, 2020:

Figure 5 - Fair Value Measurements for the year ended December 31, 2020

	<u>12/31/2020</u>	<u>Fair Value Measurements Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments by fair value level				
Certificates of Deposit	8,075,838	8,075,838	-	-
U.S. Government Agencies	1,634,994	1,634,994	-	-
		<u>9,710,832</u>	-	-
Investments measured at NAV				
Colostrust	17,818,462			
Investments measured at amortized cost				
Money Market Mutual Funds	124,104			
CSAFE	<u>3,237,846</u>			
	<u>30,891,244</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 ICMA-RC. 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 2020 was \$2,644,310. The District's contributions were calculated using a base salary amount for eligible employees of \$2,531,991. The District made the required 10% contribution totaling \$253,200.

There are 37 participants in the plan (including 18 who are not current employees). As of December 31, 2020, the accumulated plan assets were \$8,299,186. The assets in the pension plan experienced a gain of \$957,946 in 2020. 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, 2020 the plan net assets were \$8,136,525. 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 40 - \$2,400; 40 up to 50 - \$1,600; 50 up to 55 - \$800; 55 and older - No Match. During the year, the District contributed \$19,800 in matching funds. This plan is administered by ICMA-RC.

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 40 - No Match; 40 up to 50 - \$800; 50 up to 55 - \$1,600; 55 and older - \$2,400. During the year the District contributed \$39,464 for a year-end accumulated plan asset balance of \$2,172,076. This plan is also administered by ICMA-RC.

Notes to the Basic Financial Statements

6. Long-term Liabilities

Figure 6 - Long-term Liabilities Activity for the year ended December 31, 2020

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government Activities:					
Compensated absences	\$ 240,516	\$ 205,760	\$ 170,808	\$ 275,468	\$ 275,468
Long-term Liabilities	<u>\$ 240,516</u>	<u>\$ 205,760</u>	<u>\$ 170,808</u>	<u>\$ 275,468</u>	<u>\$ 275,468</u>
Business-type Activities:					
Compensated absences	\$ 107,469	\$ 93,273	\$ 77,652	\$ 123,090	\$ 123,090
Long-term Liabilities	<u>\$ 107,469</u>	<u>\$ 93,273</u>	<u>\$ 77,652</u>	<u>\$ 123,090</u>	<u>\$ 123,090</u>

The District does not have any note payables as of December 31, 2020.

Notes to the Basic Financial Statements

7. Capital Assets

Figure 7 - Capital Asset Activity for the year ended December 31, 2020

	<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	1,218,855	-	-	1,218,855
Equipment, Furniture and Fixtures	380,986	14,854	-	395,840
Total capital assets, being depreciated	<u>1,599,841</u>	<u>14,854</u>	<u>-</u>	<u>1,614,695</u>
Less accumulated depreciation for:				
Building	(642,014)	(34,160)	-	(676,174)
Equipment, Furniture and Fixtures	(339,635)	(12,955)	-	(352,590)
Total accumulated depreciation	<u>(981,649)</u>	<u>(47,115)</u>	<u>-</u>	<u>(1,028,764)</u>
Total capital assets, being depreciated, net	<u>618,192</u>	<u>(32,261)</u>	<u>-</u>	<u>585,931</u>
Governmental activities capital assets, net	<u>\$ 6,539,796</u>	<u>\$ (32,261)</u>	<u>\$ -</u>	<u>\$ 6,507,535</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	1,504,865	-	-	1,504,865
Dam Project	66,154,086	21,764	-	66,175,850
Recreation Area	1,222,328	31,765	-	1,254,093
Vehicles and Other Equipment	450,860	69,513	-	520,373
Total capital assets, being depreciated	<u>69,332,139</u>	<u>123,042</u>	<u>-</u>	<u>69,455,181</u>
Less accumulated depreciation for:				
Building	(387,270)	(42,635)	-	(429,905)
Dam Project	(16,055,832)	(947,239)	-	(17,003,071)
Recreation Area	(629,277)	(50,037)	-	(679,314)
Vehicles and Other Equipment	(306,712)	(37,696)	-	(344,408)
Total accumulated depreciation	<u>(17,379,091)</u>	<u>(1,077,607)</u>	<u>-</u>	<u>(18,456,698)</u>
Total capital assets, being depreciated, net	<u>51,953,048</u>	<u>(954,565)</u>	<u>-</u>	<u>50,998,483</u>
Business-type activities capital assets, net	<u>\$ 55,044,525</u>	<u>\$ (954,565)</u>	<u>\$ -</u>	<u>\$ 54,089,960</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, 2020, the amount required as an emergency reserve in compliance with the amendment is \$127,945 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, 2020, the District's investment in this Company totaled \$220,437. 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, 2020, the District's investment in this Company totaled \$2,368,121. 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 \$2,783,933, net of accumulated amortization of \$4,132,953 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, 2020, eleven employees have enrolled in this program. The balance of the note receivable from employees as of December 31, 2020 was \$88,319 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

December 31, 2020	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 4,353,502	\$ 4,362,205	\$ 4,317,161	\$ (45,044)
Specific ownership taxes	300,872	303,650	318,579	14,929
Investment income	28,000	20,000	19,893	(107)
Property Tax Interest	8,489	8,934	8,119	(815)
Miscellaneous	7,500	40,500	36,162	(4,338)
Total Revenues	\$ 4,698,363	\$ 4,735,289	\$ 4,699,914	\$ (35,375)
Expenditures				
Current Operating				
County treasurers' fees	143,428	165,830	153,297	12,533
Directors' fees, salary and expense	83,865	47,865	25,808	22,057
Professional and legal	3,252,306	2,860,491	2,491,060	369,431
General government	249,646	252,814	198,167	54,647
External affairs	230,750	511,000	472,769	38,231
Project expense	587,006	592,676	547,692	44,984
Emergency and contingency	132,107	127,945	-	127,945
Total Expenditures	\$ 4,679,108	\$ 4,558,621	\$ 3,888,793	\$ 669,828
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,255	\$ 176,668	\$ 811,121	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ 19,255</u>	<u>\$ 176,668</u>	811,121	
Fund Balance - Beginning of Year			<u>3,111,285</u>	
Fund Balance - End of Year			<u>\$ 3,922,406</u>	

Supplementary Information

Statement of Property Taxes Collected Compared to Budget – General Fund

December 31, 2020	Variance Favorable (Unfavorable)		
County	Budget	Actual	(Unfavorable)
Delta	\$ 77,151	\$ 73,768	\$ (3,383)
Eagle	754,252	752,580	(1,672)
Garfield	583,829	560,565	(23,264)
Grand	185,816	186,341	525
Gunnison	165,402	168,594	3,192
Hinsdale	11,755	11,665	(90)
Mesa	512,529	515,133	2,604
Moffat	96,691	96,377	(314)
Montrose	127,939	125,500	(2,439)
Ouray	42,065	40,835	(1,230)
Pitkin	801,800	802,467	667
Rio Blanco	203,755	198,330	(5,425)
Routt	281,427	291,697	10,270
Saguache	931	932	1
Summit	525,920	527,297	1,377
 Total Property Taxes	 \$ 4,371,262	 \$ 4,352,081	 \$ (19,181)
 Delinquent Taxes	 -	 9,094	 9,094
 Less: Tax Credits & Tax Abatements	 -	 (44,014)	 (44,014)
 Total Property Taxes Collected	 \$ 4,371,262	 \$ 4,317,161	 \$ (54,101)

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

December 31, 2020	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Investment Income (Loss)	\$ 70,000	\$ 32,700	\$ 23,199	\$ (9,501)
Total Revenues	<u>\$ 70,000</u>	<u>\$ 32,700</u>	<u>\$ 23,199</u>	<u>\$ (9,501)</u>
Expenditures				
Grant program	\$ 75,000	\$ 101,405	\$ 26,300	\$ 75,105
Other capital outlay	79,500	63,715	40,802	22,913
Other	20,000	14,191	14,191	-
Total Expenditures	<u>\$ 174,500</u>	<u>\$ 179,311</u>	<u>\$ 81,293</u>	<u>\$ 98,018</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (104,500)</u>	<u>\$ (146,611)</u>	<u>\$ (58,094)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ (104,500)</u>	<u>\$ (146,611)</u>	<u>\$ (58,094)</u>	
Fund Balance - Beginning of Year			<u>\$ 4,156,301</u>	
Fund Balance - End of Year			<u>\$ 4,098,207</u>	

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

December 31, 2020	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget <small>Favorable (Unfavorable)</small>
Receipts				
Denver Water lease receipts	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ -
Sale of water including capital contributions	1,205,000	1,404,000	1,494,484	90,484
Investment Income (loss)	400,000	295,000	390,213	95,213
Miscellaneous	105,000	228,300	264,762	36,462
Joint Venture Income	5,000	5,000	385	(4,615)
Management Fee	15,000	1,000	5,115	4,115
Project Contributions	2,199,559	3,789,934	1,538,153	(2,251,781)
Grant	177,247	111,032	101,412	(9,620)
Elkhead Operations Reimbursements	100,000	76,837	76,837	-
Total Receipts	\$ 5,706,806	\$ 7,411,103	\$ 5,371,361	\$ (2,039,742)
Expenditures				
Directors' salaries, fees and expenses	27,955	15,955	8,604	7,351
Staff salaries	823,399	791,823	982,200	(190,377)
Salary overhead	333,043	293,030	316,479	(23,449)
Travel & Education	55,933	21,967	15,242	6,725
Legal	219,624	171,417	47,483	123,934
Administrative expenses	143,707	156,336	117,396	38,940
External affairs	76,917	29,000	23,690	5,310
Technical support	292,844	333,495	270,164	63,331
Wolford Mountain	758,200	611,250	357,391	253,859
Mitigation	40,000	20,000	9,178	10,822
Yampa Projects	152,507	147,910	131,817	16,093
Eagle River projects	31,500	30,827	30,827	-
Roaring Fork Projects	62,300	52,852	52,852	-
Project Development	2,509,948	3,744,211	1,388,879	2,355,332
Total Expenditures	\$ 5,527,877	\$ 6,420,073	\$ 3,752,202	\$ 2,667,871
Excess of Receipts Over (Under) Expenditures	\$ 178,929	\$ 991,030	\$ 1,619,159	
Reconciliation of Budgetary Basis to GAAP Basis:				
Depreciation and amortization			(1,356,499)	
Remove Denver Water lease receipts			(1,500,000)	
Add Denver Water interest income			48,972	
Change in net assets - GAAP basis			<u>\$(1,188,368)</u>	

Statutory Information



McMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Colorado River Water Conservation District (the "District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 4, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 4, 2021



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Program

We have audited the compliance of Colorado River Water Conservation District (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2020. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal programs is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 4, 2021

**Colorado River Water Conservation District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020**

Part I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness identified	None noted
Significant deficiency identified	None noted
Noncompliance material to financial statements noted	None noted

Federal Awards:

Internal control over major programs:

Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2, U.S. Code of Federal Regulations, Part 200	No

Major programs:

Regional Conservation Partnership Program	CFDA #10.932
Environmental Quality Incentives Program	CFDA #10.912

Dollar threshold used to identify Type A from Type B programs \$750,000

Identified as low-risk auditee No

Part II – Findings Related to Financial Statements

Findings related to financial statements as required by *Government Auditing Standards* None noted

Auditor-assigned reference number Not applicable

Part III – Findings Related to Federal Awards

Internal control findings None noted

Compliance findings Yes

Questioned costs Yes

Auditor-assigned reference number 2020-001

**Colorado River Water Conservation District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020**

Findings related to federal awards as required by Government Auditing Standards:

Audit Finding 2020-001 – U.S. Department of Interior - WaterSMART (CFDA 15.507)

Grant Period – Year Ended December 31, 2020

Criteria or Specific Requirement:

The District is required to submit semi-annual reports for eligible expenditures incurred under the grant as outlined in the grant agreement.

Condition:

The District included expenditures that were not related to the grant.

Cause:

The District used the same vendor for both grant and non-grant related services and the non-grant expenditures were inadvertently included in the semi-annual report. No thorough review of the supporting documentation for the expenditures in the report was being conducted by a separate individual prior to submission to the federal government.

Effect:

Failure to submit the accurate expenditures resulted in the report being overstated by \$25,236.

Questioned Costs:

Expenditures totaling \$25,236.

Context:

This finding was self-reported by the District and was not discovered as part of single audit testing. The error has been rectified and reported to the appropriate federal government agency.

Recommendation:

We recommend the District review its procedures to ensure complete and accurate reports are remitted in accordance with the terms outlined by the grant agreement.

Views of Responsible Officials and Planned Corrective Action:

Management agrees with the finding. The error as described above was identified during a review by District staff at the end of the subsequent reporting period under the subject grant. The District immediately contacted the appropriate federal contract officer and disclosed the error. Pursuant to direction from the contract officer, the District staff corrected the questioned costs by promptly filing an amended report, and moving the excess distribution of \$25,236 to deferred revenue. Corrective actions have been put in place to have a review of the report and expenditures conducted by a separate District employee prior to any future report submission to the federal government.

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019**

The District had no findings for the year ended December 31, 2019.

Schedule of Expenditures of Federal Awards

Colorado River Water Conservation District
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2020

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Sub-recipients</u>
U.S. Department of Agriculture				
Regional Conservation Partnership Program	10.932	68-8B05-A-15-03	\$ 572,148	\$ 555,383
Environmental Quality Incentives Program	10.912	68-8B05-A-15-03	511,529	-
Soil and Water Conservation	10.902	NR198B05XXXXC013	49,119	-
Total U.S. Department of Agriculture			<u>\$ 1,132,796</u>	<u>\$ 555,383</u>
U.S. Department of Interior				
WaterSMART	15.507	R19AP00231	\$ 99,064	-
Total U.S. Department of Interior			<u>\$ 99,064</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,231,860</u>	<u>\$ 555,383</u>

Notes to the Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2020.

Note 1. Basis of Presentation:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Colorado River Water Conservation District (the "District") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

Note 2. Indirect Facilities and Administration Costs

The District has elected not to use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (C.F.R.) Part 200.414, Indirect (F&A) costs, of the Uniform Guidance.