

San Juan Water Conservancy District

Financial Statements

December 31, 2018

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Independent Auditor's Report

The Governing Body
San Juan Water Conservancy District

We have audited the accompanying financial statements of the governmental activities and each major fund San Juan Water Conservancy District (the "District"), as of and for the year ended December 31, 2018, 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

The District's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 and each major fund of the District, as of December 31, 2018, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, 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 response 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.

Management has elected to omit the management's discussion and analysis. Our opinion is not affected by the omission of this information.

rfarmer, llc

July 16, 2019

San Juan Water Conservancy District
Statement of Net Position
December 31, 2018

	Governmental Activities	Total
ASSETS		
Cash and Equivalents	\$ 134,554	\$ 134,554
Property Taxes Receivables	70,789	70,789
Capital Assets:		
Land	1,169,241	1,169,241
Construction in progress	382,866	382,866
Other assets-water rights	19,544	19,544
Total Capital Assets	1,571,651	1,571,651
Total Assets	1,776,994	1,776,994
LIABILITIES		
Accounts payable and accrued expenses	65	65
Total liabilities	65	65
Deferred Cash-Inflows		
Deferred Property Taxes	70,789	70,789
NET POSITION		
Net investment in capital assets	1,571,651	1,571,651
Restricted for:		
TABOR	2,888	2,888
Unrestricted	131,601	131,601
Total net position	\$ 1,706,140	\$ 1,706,140

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

San Juan Water Conservancy District
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs Primary government	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Total
	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities	\$ 94,971	\$ 1,603	\$ -	\$ -
General Government	94,971	1,603	-	-
Total governmental activities	\$ 94,971	\$ 1,603	\$ -	\$ -
Total primary government	\$ 94,971	\$ 1,603	\$ -	\$ -
General revenues:				
Taxes:				
Property taxes, levied for general purposes			70,377	70,377
Sales & SO tax			8,222	8,222
Unrestricted investment earnings			240	240
Miscellaneous			3,907	3,907
Total general revenues, special items, and transfers			82,746	82,746
Change in net assets			(10,622)	(10,622)
Net position - beginning			1,716,762	1,716,762
Net position - ending			\$ 1,706,140	\$ 1,706,140

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

San Juan Water Conservancy District
Balance Sheet
Governmental Funds
December 31, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 134,554	\$ 134,554
Taxes receivable, net	<u>70,789</u>	<u>70,789</u>
Total assets	<u>205,343</u>	<u>205,343</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	<u>65</u>	<u>65</u>
Total liabilities	<u>65</u>	<u>65</u>
 Deferred Cash Inflows		
Deferred property taxes	<u>70,789</u>	<u>70,789</u>
 Fund balances:		
Restricted--TABOR	2,888	2,888
Unassigned	<u>131,601</u>	<u>131,601</u>
Total fund balances	<u>134,489</u>	<u>134,489</u>
Total liabilities and fund balances	<u>\$ 205,343</u>	<u>\$ 205,343</u>

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

San Juan Water Conservancy District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2018

Total fund balance, governmental funds	\$ 134,489
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	1,571,651
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 1,706,140</u>
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The accompanying notes to financial statements
are an integral part of these statements.

San Juan Water Conservancy District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Property Taxes	\$ 70,311	\$ 70,311
SO Tax	8,222	8,222
Charges for services	1,603	1,603
Investment earnings	306	306
Miscellaneous	3,907	3,907
Total revenues	<u>84,349</u>	<u>84,349</u>
EXPENDITURES		
Current:		
General government	<u>94,971</u>	<u>94,971</u>
Total Expenditures	<u>94,971</u>	<u>94,971</u>
Excess (deficiency) of revenues over expenditures	<u>(10,622)</u>	<u>(10,622)</u>
Net change in fund balances	(10,622)	(10,622)
Fund balances - beginning	145,111	145,111
Fund balances - ending	<u>\$ 134,489</u>	<u>\$ 134,489</u>

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

San Juan Water Conservancy District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balances - total governmental funds:	\$ (10,622)
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Change in net position of governmental activities	<u>\$ (10,622)</u>
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The accompanying notes to financial statements
are an integral part of these statements.

San Juan Water Conservancy District
Notes to the Financial Statements
December 31, 2018

Note 1 Summary of Significant Accounting Policies

San Juan Water Conservancy District's (the "District") financial statements are prepared in accordance with accounting principles generally accepted in the United States (USGAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing USGAAP for state and local governments through its pronouncements. The more significant accounting policies established by USGAAP used by the District are discussed below:

Reporting Entity

The reporting entity consists of (a) the primary government; i.e. the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, intergovernmental revenue, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, and operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/ expenses.

The fund focus is on current available resources and budget compliance.

The District reports the following major governmental fund:

The *General Fund* is the District's primary and only operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The major sources of revenue include property taxes, specific ownership taxes and intergovernmental revenues. The major expenditures include general government.

The District does not have any proprietary or business-type funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

Long-term Economic Focus and Accrual Basis

The governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related

liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers and applicants for goods, services, or privileges, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Investments

Investments, if any, are stated at cost, which is approximately the same as fair value due to the type of investments.

Property Taxes

Annual property taxes are levied and assessed on January 1 and are certified by Archuleta County by November 1 of the current year. On January 1 of the following year, the Archuleta County Treasurer bills the property owners, thus establishing an enforceable lien on the property. The County Treasurer also collects the property taxes and remits the collections on a monthly basis to the District.

The District recognizes a receivable, net of estimated uncollectible balances, for property tax levied upon certification by the County Treasurer. A deferred revenue liability is recorded in the same amount since the taxes are not available at year-end to fund expenditures of the current year.

Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses.

Capital Assets

Capital assets, which include land, construction in progress, and water rights, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The infrastructure the District has will be capitalized for costs incurred after January 1, 2004.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

For 2018, none of the assets were subject to depreciation. As a result, there is not any depreciation expense for 2018.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of the governmental fund. The remaining portion of such obligations is reported in the governmental activities column of the government-wide financial statements.

There were not any long-term liabilities as of year-end.

Use of Estimates

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

Legal Provisions and Authorization for Deposits

The District is governed by state statutes as to the type of institutions and investments with which it may deposit funds and transact business.

Note 2 Stewardship, Compliance, and Accountability

Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

As required by Colorado, the District followed the required timetable noted below in preparing, approving, and enacting its budget for each year.

For each budget year, prior to August 25, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries.

The Budget Officer, or other qualified person appointed by the Board, submitted to the Board, on or before October 15, a recommended budget, which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

Prior to December 15, a public hearing was held for the budget, the Board certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.

After adoption of the budget resolution, the Board may make the following changes: a) it may transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2017 were collected in 2018 and taxes certified in 2018 will be collected in 2019. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR required advance voter approval for the creation of any multiple- fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

The voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatever, without limitation, notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Note 3

Deposits and Investments

Deposits

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. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public depositories as a group. The market value of the collateral must exceed 102% of the uninsured deposits.

The Colorado Division of Banking is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At year-end, the District's cash deposits had a bank balance of \$134,554 of which \$23,196 is insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized in single institution pools and \$111,358 is in ColoTrust.

Custodial Credit Risk—The District is not exposed to custodial risk due to funds deposited in local financial institutions that meet PDPA requirements and have FDIC coverage.

Investments

Colorado Statutes authorize the District to invest in any of the following investments:

Repurchase agreements,

Obligations of the United States or obligations unconditionally guaranteed by the United States,

Obligations of the State of Colorado and most general obligations of units of local government,

Federally insured mortgages and student loans,

Participation with other local governments in pooled investment funds (trusts), these trusts are supervised by participating governments, and must comply with the same restrictions on cash deposits and investments. (One such trust formed under the statute is ColoTrust). MBIA's COLOTRUST PRIME and PLUS+ pools are a 2a7-like investment pool.

The following facts are relevant for 2a7-like investment pools:

- Credit risk: COLOTRUST PRIME and PLUS+ Portfolios are rated AAAM by S&P. COLOTRUST PLUS+ is rated AAA by Moody's and AAA/V1+ by Fitch.

- Custodial credit risk: COLOTRUST PRIME and PLUS+ participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

ColoTrust is rated AAA by S&P Global as of March, 2019.

Note 4 Risk Management

Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to injuries of employees and others while on the job. The District pays an annual contribution to the Pool for its workers' compensation insurance coverage. The intergovernmental agreement of formation provides that the Pool will be financially self-sustaining through member contributions and additional assessments, if necessary.

The District is also exposed to various risks of loss related to property and casualty losses which are covered by the Pool

The District, in their opinion, has obtained adequate coverage as required by Colorado Revised Statutes to settle claims in the ordinary course of business. However, do to the unknown nature of potential liability, some claims may arise that fall outside the coverage limits for which the District would be financially responsible. Claims have not exceeded coverages during the past three years.

Note 5 Fund Balances

The District has applied the requirements of GASB 54 – Fund Balance Reporting.

Non-Spendable

Non-spendable balances represent amounts, which have been paid for but not, consumed and will include inventories and prepaid expenses.

Committed

The portion of fund balance constrained for specific purposes according to the limitations imposed by the District's highest level of decision-making authority, the Board, or other individuals authorized to assign funds to be used for a specific purpose. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

Assigned

Assigned balances represent balances where the intent is expressed by (1) the governing body itself or (2) a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned

Unassigned balances can be used for any legal purpose and are limited to the General Fund.

The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

San Juan Water Conservancy District
Budget and Actual
General Fund
For the year ended December 31, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Property Taxes	\$ 71,631	\$ 71,631	\$ 70,311
SO Taxes	6,000	6,000	8,222
Charges for services	69,800	69,800	5,510
Investment earnings	460	460	306
Miscellaneous	607	607	-
Total revenues	<u>148,498</u>	<u>148,498</u>	<u>84,349</u>
EXPENDITURES			
Current:			
General government	146,070	146,070	94,971
Total Expenditures	<u>146,070</u>	<u>146,070</u>	<u>94,971</u>
Excess (deficiency) of revenues over expenditures	<u>2,428</u>	<u>2,428</u>	<u>(10,622)</u>
Net change in fund balances	2,428	2,428	(10,622)
Fund balance - beginning	188,786	188,786	145,111
Fund balance - ending	<u>\$ 191,214</u>	<u>\$ 191,214</u>	<u>\$ 134,489</u>