



2023 Financial Report



Southeastern Colorado Water Conservancy District

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SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southeastern Colorado Water Conservancy District
Pueblo, Colorado

Opinions

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 Southeastern Colorado Water Conservancy District (District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 District, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT - CONTINUED

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

INDEPENDENT AUDITORS' REPORT - CONTINUED

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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.

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 as a whole.

In connection with our audit of the basic financial statements, our responsibility is to read the additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the additional information exists, we are required to describe it in our report. The additional information comprises the Schedule of Revenues and Expenditures – Water Activity Enterprise Fund – Budget and Actual, the Schedule of Revenues and Expenditures – Hydro Project Enterprise Fund – Budget and Actual, the Schedule of Revenues and Expenditures – General Fund, and the Statement of Changes in Fiduciary Net Assets and Liabilities – Agency Fund but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the additional information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the District's internal control over financial reporting and compliance.

Erickson, Brown & Kloster, LLC

Colorado Springs, Colorado
April 4, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis provide an overview of the Southeastern Colorado Water Conservancy District’s financial condition and operating results of the past year and to inform our constituents about the District’s financial issues and activities. We encourage readers to consider all of the information presented here including the independent auditors’ report, the basic financial statements, notes, required supplementary information, and additional information.

Government wide activities and assets include both the Governmental (District) and the Proprietary (Enterprise) Funds. The District functions as a Governmental Fund with one set of standard accounting policies and the Enterprise funds function as Business-type Proprietary Funds with a different set of standard accounting policies both in accordance with generally accepted accounting principles. These policies are discussed in the summary of significant accounting policies in Note 1 to the financial statements. Reconciliations for the Governmental Fund and its activities are necessary in order to make a consolidated presentation.

OVERVIEW

This annual report includes a series of financial statements. In addition to this Management’s Discussion and Analysis (MD&A), the report consists of (1) government wide statements, (2) fund financial statements, (3) the notes to the financial statements, (4) required supplementary information, and (5) additional information.

The first two basic statements present a government wide view of the District’s finances. All District operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic governmental and administrative services, the repayment of primary debt, and the protection of the District’s water rights. The District’s business-type activities carried out by the Proprietary Funds include the sale and administration of water and storage from the Fryingpan-Arkansas Project, related surcharges, and return flows. The Safety of Dams repayment obligation is a long-term debt of the business type activity. Other projects include: (1) The Arkansas Valley Conduit Project, (2) the Excess Capacity Master Contract, (3) Enlargement of the Pueblo Reservoir and Turquoise Lake, (4) the Lease of Power Privilege for Hydroelectric Power at the Pueblo Dam, as well as operation of the Hydroelectric Powerhouse facility, and (5) other water issues and projects as identified by the Board of Directors. These government wide statements are designed to present both the governmental and business-type activities as a consolidated total for the District.

FINANCIAL HIGHLIGHTS

1. Government wide assets exceed its liabilities and deferred inflows of resources by \$170,453,764 as of December 31, 2023. The unrestricted net position of the Government Activities is \$9,511,561 as of December 31, 2023, and may be used to meet ongoing obligations. In addition, the unrestricted net position of the Business-type activities is \$9,542,524 as of December 31, 2023, and may be used to meet ongoing obligations. The combined total unrestricted net position available to meet ongoing obligations is \$19,054,085.

2. The District's net position (government wide) increased from \$160,134,201 at December 31, 2022, to \$170,453,764 as of December 31, 2023. This is an increase of \$10,319,563 or 6.44 percent from the prior year's financial period.
3. The most significant asset of the District is its perpetual water rights and are reported at \$132,237,478. Note 5 exhibits more detailed information relating to the District's capital assets. The government wide Net Position of \$170,453,764, includes the carrying value of the perpetual water rights, other capital assets and land is, net netted against long-term liabilities, as well as deferred inflows of resources. The Statement of Net Position clearly illustrates these details.
4. The District's governmental activities debt primarily consists of the amount due to the U.S. Bureau of Reclamation (Reclamation) and is associated with the Fryingpan-Arkansas Project construction contract. The contract obligation debt reflects a balance of \$12,474,363 as of December 31, 2023. Details of this obligation are reflected in Note 6.
5. Business-type activities debt includes the Safety of Dams obligation of \$10,819, as well as the Hydroelectric Power construction loan of \$16,963,484, for a total long-term debt of \$16,974,303. The Hydroelectric loan with the Colorado Water Conservations Board (CWCB) was closed, and the first principal and interest payment of \$776,560 was made in December 2023. Details of this obligation can be found in Note 6.
6. Phase III of the Fryingpan-Arkansas Project Sediment Study was completed in 2023, in a cooperative effort between the Bureau of Reclamation (Reclamation) and the District. The District hired the firm of Mott MacDonald to refine the amount of storage lost each year in Pueblo Reservoir, and to determine which upstream drainages are likely the largest contributors to the sedimentation problem. Reclamation performed bathymetric (sonar) and aerial (lidar) surveys of Pueblo Reservoir in 2023 to verify the rate at which sedimentation is occurring. Under a contract with Reclamation, \$588,759 in Fryingpan-Arkansas Project reserve funds were used to fund work in 2023.
7. The Arkansas Valley Conduit completed both the design and construction of the Avondale and Boone Water delivery lines. The design and construction totaled \$1.2 million which was supported by the American Rescue Plan Act fund through the support of Pueblo County. Additional design is ongoing with the remainder of the 37 participants in the Arkansas Valley with the support of many local governments and the use of American Rescue Plan Act funds.

BASIC FINANCIAL STATEMENTS

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets of the District, the liabilities it owes and its deferred inflows and the net difference as of December 31, 2023. The net difference is further separated into amounts for net investment in capital assets, restricted for specific purposes, and unrestricted amounts. Governmental and business type activities are reported on economic resource measurement focus and the accrual basis of accounting. The Statement of Net Position demonstrates that the District is in a solid position for future operations with a net position that has steadily increased in recent years.
- The Statement of Activities focuses on the gross and net costs of the District's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's ability to determine the extent to which the programs are self-supporting and/or subsidized by general revenues.

- Fund financial statements focus separately on the governmental fund and the proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements and include a reconciliation of the governmental Fund Balance Sheet to the Statement of Net Position and a reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Funds Balance to the Statement of Activities. Statements for the District’s proprietary fund follow the governmental fund statements and include the Proprietary Fund Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.
- The notes to the financial statements provide additional disclosures required by generally accepted accounting principles and provide information to assist the reader in understanding the District’s financial condition.

The MD&A is intended to explain the significant changes to the financial position and differences in operations between current and prior years. The MD&A includes currently known information that management is aware of at the date of the auditor’s report. Please read it in conjunction with the District’s financial statements that follow this section.

GOVERNMENT WIDE

The District continued to move in a positive direction in 2023. The total Net Position is the best indicator in this presentation of a successful year as it displays the increase of net position as of December 31, 2023.

Government Wide					
Condensed Statement of Net Position					
December 31					
	2023 Government Activities	2023 Business- Type Activities	Total	2022	Change 2023 from 2022
Current and other assets	\$53,372,932	\$10,414,461	\$63,787,393	\$52,729,646	\$11,057,747
Capital Assets, net	133,030,694	19,690,822	152,721,516	150,717,479	2,004,037
Total Assets	186,403,626	30,105,283	216,508,909	203,447,125	13,061,784
Current and other liabilities	4,720,049	2,375,938	7,095,987	4,271,390	2,824,597
Long-term liabilities	10,593,024	16,526,193	27,119,217	29,001,954	(1,882,737)
Total Liabilities	15,313,073	18,902,131	34,215,204	33,273,344	941,860
Deferred inflows of resources	11,839,941	-	11,839,941	10,039,580	1,800,361
Net investment in capital assets	120,556,331	1,560,628	122,116,959	120,071,873	2,045,086
Restricted for TABOR	250,000	-	250,000	200,000	50,000
Restricted for BOR	28,932,720	100,000	29,032,720	21,608,353	7,424,367
Unrestricted	9,511,561	9,542,524	19,054,085	18,253,975	800,110
Total Net Position	\$159,250,612	\$11,203,152	\$170,453,764	\$160,134,201	\$10,319,563

GOVERNMENTAL ACTIVITIES

The following table compares revenues and expenses for the governmental activities for 2023.

**Condensed Comparative Statement of Activities
Governmental Activities
Year Ending December 31**

	2023	2022	Change
Revenues			
Program revenues			
Charges for services	\$2,447,283	\$2,065,674	\$381,609
Grants	-	-	-
General Revenues			
Property taxes	10,036,181	9,390,985	645,196
Specific ownership taxes	1,074,069	1,001,395	72,674
Investment earnings	1,527,123	(501,935)	2,029,058
Insurance Recovery	110,990	-	110,990
Other	(470)	-	(470)
Total Revenues	<u>15,195,176</u>	<u>11,956,119</u>	<u>3,239,057</u>
Expenses			
General government	7,118,843	4,787,936	2,330,907
Total Expenses	<u>7,118,843</u>	<u>4,787,936</u>	<u>2,330,907</u>
Change in net position	8,076,333	7,168,183	908,150
Net position, beginning of year	<u>151,174,279</u>	<u>144,006,096</u>	<u>7,168,183</u>
Net position, end of year	<u>\$159,250,612</u>	<u>\$151,174,279</u>	<u>\$8,076,333</u>

The contract between the District and Reclamation for the Fryingpan-Arkansas Project was first signed in 1982 for a period of 40 years, with an added 10 years for a total contract of 50 years. There has been a total of 11 amendments to the original Fryingpan-Arkansas contract between 1982 through 2018. The original contract required a contract review of the prior 40-year period. In 2021, the District and Reclamation negotiated and finalized a similar but sustainable contract to remain in perpetuity.

The Fryingpan-Arkansas contract stipulates that the District is responsible for repayment of a portion of the costs of the Fryingpan-Arkansas Project. The total original repayment obligation for the District was \$132,237,478. That amount represented \$74,348,993 allocated to agriculture and \$57,888,485 is allocated to municipal and industrial. Each year the District also incurs operating and maintenance costs.

The Fryingpan-Arkansas contract requires that the District complete semi-annual installments payments of \$733,786 which totals \$1,467,572 annually to decrease the remaining debt of the Fryingpan-Arkansas Project through the remaining contract period of December 2031. The contract

also requires an upfront or pre-payment of the District portion of the operations and maintenance and replacement (OM&R) for the Project. This pre-payment is based on estimated costs and estimated Reclamation credits as well as a true-up process of actual cost and credits calculated with each semi-annual installment. Total installment payments made to U.S. Bureau of Reclamation in 2023 was \$1,943,084. This amount includes the June 2023 debt payment of \$733,786, and related OM&R expense of \$1,209,298. The District did not receive an invoice from Reclamation for the second portion of the debt and OM&R expense that is normally required per the contract. The District recorded an estimated payable based on the last reconciled payout schedule that was updated in 2022.

The Fryingpan-Arkansas contract also requires the District hold a restricted reserve in the amount of the annual Fryingpan-Arkansas Project property tax collected, less the total installment payments made to Reclamation. As of December 31, 2023, the estimated excess in tax collections was \$28,932,720.

The U.S Bureau of Reclamation applies other miscellaneous revenues according to Public Law 111-11. These revenues were applied to the payoff the South Outlet construction at the Pueblo Dam, Ruedi Reservoir, and the Fountain Valley Conduit primary debt. The future use of these funds will be applied towards the Arkansas Valley Conduit, which is part of the original Fryingpan-Arkansas Project authorization. Construction began on the federally constructed trunk line in July 2023. It is estimated the repayment of the Arkansas Valley Conduit project will begin when final construction of the project is complete.

In 2023, the District experienced an increase in property tax revenue of \$645,196. Assessments of property taxes are done in the year prior to receipt of ad valorem tax. Specific Ownership tax revenues also experienced an increase of 72,674, when compared to 2022. Specific Ownership taxes are assessed on personal vehicles, trailers, boats, mobile homes, etc.

The general government expense increased approximately 49 percent when compared to 2022. The increase is a result of expenses related to the Pueblo Reservoir sediment study, Fryingpan-Arkansas OM&R expense, and human resources and headquarters operating expense. The 2023 capital purchases for the District consisted of upgrading the board and executive conference rooms with a new audio and video system and replacing the roof at the District headquarters office building. Capital purchases such as these ensure that the District's technology and office headquarters are adequately updated to maintain a secure and comfortable work environment. Total capital expenditures at year-end 2023 was \$309,420.

The District holds the Excess Capacity Master Contract on behalf of the participants and is charged annually for each acre foot of water that is stored in the Pueblo Reservoir. The District passes these fees to the participants of the Excess Capacity contract. Excess Capacity Storage fees that were collected in the fourth quarter of 2022, were due and payable to the Bureau of Reclamations for the 2023 contract period and represent a total revenue and expenditure of \$337,836. The District collected storage fees relating to the 2024 contract period and reflects an advance deposit balance of \$367,198. In addition, the District also assesses surcharges that are retained and are used as operating revenues for Enterprise Activity.

BUSINESS TYPE ACTIVITIES

The Business Activity Enterprise (Enterprise) functions from a solid financial base; however, the success of the proprietary funds is more accurately measured by the impact that it has facilitating

projects and programs within the District and that benefit our constituents. The Enterprise includes the Water and Storage Activity, Arkansas Valley Conduit Project, and the Hydroelectric Power Project at the Pueblo Dam. The Hydroelectric Power Project provides additional revenue resources and will significantly increase the future financial support within the Proprietary Funds.

The Hydroelectric loan with the Colorado Water Conservations Board (CWCB) was closed at the end of 2022, and the first principal and interest payment of \$776,560 was made in December 2023.

The Arkansas Valley Conduit continued to gain momentum in 2023. In 2023, the U.S. Bureau of Reclamation awarded the Arkansas Valley Conduit Project an additional \$100 million of Bipartisan Infrastructure Act funds, bringing the total federal appropriations since 2020 to \$220 million. Construction began on the federally constructed trunk line in July 2023. The Water Activity Enterprise completed construction of delivery lines to Boone and Avondale in 2023, using \$1.2 million in funding from Pueblo County under the American Rescue Plan Act (ARPA). A total of \$1.833 million in ARPA funds from other counties and cities is being applied to a \$7.3 million design package that was contracted in 2023 and scheduled to be completed in 2024. The State of Colorado has authorized \$90 million in loans and \$30 million in grants through the Colorado Water Conservation Board for construction of delivery lines, but these funds were not accessed in 2023. ARPA revenues collected and used towards the Arkansas Valley Conduit project in 2023 totaled \$1,957,672.

In 2023, project water and return flow water sales produced \$680,838 in revenues. Water sales have a direct effect on the related surcharge revenue that Enterprise collects. The type of surcharge revenues collected include the Safety of Dams for Pueblo Dam, Environmental Stewardship, Augmentation, and Water Storage Activity. In 2023, the Safety of Dams for Pueblo Dam surcharge was \$179,433, the Environmental Stewardship surcharge was \$196,798, Augmentation surcharge was \$24,313 and the Water Storage Activity surcharge was \$255,119. Total surcharge revenue for the 2023 financial period was \$625,663. Of this amount, the excess capacity portion includes surcharges of \$13,274. Note 11 explains the details for the Excess Capacity Master Contract with the U.S. Department of Interior, Bureau of Reclamation.

The following table compares revenues and expenses for the business type activities separated by the Water Storage Activities, Arkansas Valley Conduit, and the Hydroelectric Project for 2023 compared to 2022.

**Comparative Statement of Activities
Business-Type Activities
Year Ending December 31**

	2023	2023	2023	2023	2022	Change 2023 from 2022
	Water Storage Activity	Arkansas Valley Conduit Project	Hydro Project	Total	Total	
Revenues						
Program Revenues						
Charges for services & sales	\$1,655,038	\$329,599	\$1,025,255	\$3,009,892	\$2,471,604	\$538,288
Intergovernmental revenue	-	2,054,716	-	2,054,716	291,749	1,762,967
Misc Revenues	-	-	-	-	-	-
Investment earnings (Loss)	260,367	182,178	92,465	535,010	(423,319)	958,329
Total Revenues	1,915,405	2,566,493	1,117,720	5,599,618	2,340,034	3,259,584
Expenses						
Operating Expenses	1,934,377	355,856	718,311	3,008,544	2,703,831	304,713
Interest Expense	-	-	347,844	347,844	345,344	2,500
Financing Fees	-	-	-	-	172,200	(172,200)
Total Expenses	1,934,377	355,856	1,066,155	3,356,388	3,221,375	135,013
Change in net position	(18,972)	2,210,637	51,565	2,243,230	(881,341)	3,124,571
Net position, January 1	7,030,591	4,499,978	(2,570,647)	8,959,922	9,841,263	(881,341)
Net position, December 31	\$7,011,619	\$6,710,615	(\$2,519,082)	\$11,203,152	\$8,959,922	\$2,243,230

BUDGET ANALYSIS

In December 2023, the District’s Board of Directors adopted a budget for the Governmental Fund for the calendar year 2023 following a public hearing as required by state law. The original budget appropriations for year ending December 31, 2023, totaled \$11,897,844. The District’s Board of Directors chose not to modify the expenditures by amendment in 2023. Actual expenditures for 2023 totaled \$7,861,773. The budget variance of \$4,036,701 is due to there being no required expenditures for Fountain Valley Conduit in 2023, second half of the Fryingpan-Arkansas debt payment, planning and development and personnel services.

In December 2022 and following a public hearing as required by law, the Enterprise Board of Directors adopted a 2023 expenditure budget of \$2,858,245 for the Water and Storage Activity. The Board of Directors for the Water and Storage Activity chose not to modify the expenditures by amendment in 2023. Actual expenditures for 2023 totaled \$1,994,377. The budget variance of \$863,868 is related to planning and development, personnel services, legislative and water education, contingency, and capital outlay.

In December 2022 and following a public hearing as required by law, the Enterprise Board of Directors adopted a 2023 expenditure budget of \$3,677,018 for the Arkansas Valley Conduit. The Board of Directors for the Arkansas Valley Conduit chose not to modify the expenditures by amendment in 2023. Actual expenditures for 2023 totaled \$2,450,994. The budget variance of \$1,226,074 is related to outside professional services, personnel services, contingency and capital outlay.

In December 2022 and following a public hearing as required by law, the Enterprise Board of Directors adopted a 2023 expenditure budget of \$991,456 for the Hydroelectric Power Fund. The Board of Directors for the Hydroelectric Power Fund chose to modify the expenditures by amendment in the amount for \$250,000 at the March 2024 Board meeting. The purpose of the budget amendment was directly related to the first debt payment to the Colorado Water Conservation Board loan. The total

Hydro loan payment is \$776,560 annually. The original 2023 Adopted Budget included the interest payment expenditure, but not the debt portion of the loan. The loan payment was due on January 1, 2024, but to ensure that the payment was made on time, it was made on December 30, 2023. Actual expenditures for 2024 totaled \$1,231,904, in which created a budget variance of \$9,552 after the budget amendment approved and finalized.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At year-end December 31, 2023, the District had \$132,257,570 invested in perpetual water rights and land classified as a non-depreciable capital asset. Note 5 details the capital assets activity.

The District utilizes the collection of ad valorem property tax to retire the debt and pay for OM&R of the Fryingpan-Arkansas Project. Annual ad valorem tax collected that are applicable to the Fryingpan-Arkansas Project and are not paid to Reclamation are deposited in the restricted Fryingpan-Arkansas reserve held by the District, as required by the Fryingpan-Arkansas contract.

The repayment contract period is 40 years with an extension of ten years. The Fryingpan-Arkansas contract amortized the debt payment over 50 years ending December 2031. As of December 31, 2023, the District's principal balance is \$12,474,363. Future payments will continue to be applied at a total of \$1,467,572 annually to decrease the debt remaining on schedule. The contract does not contain a provision for interest and therefore has an effective interest rate of 0%.

In addition to the obligation for the original reimbursable construction costs, another contract was entered into on July 15, 1998, with Reclamation for the repayment of funds expended for a federally performed Safety of Dams modification program. The Water Activity fund pays \$60,000 per year from surcharge fees collected on water activities within the District boundaries for the agricultural portion of the debt. The municipal portion was paid off in 2010. The total balance of this contract obligation is \$10,819 as of December 31, 2023.

The Hydroelectric Power Project construction was completed and put into service in 2019. In 2019, the Enterprise started depreciating the Hydroelectric Power Plant under a 50-year useful life expectancy. The total balance of this contract obligation is \$16,963,484 as of December 31, 2023.

The Restoration of Yield partnership purchased a parcel of land in 2021, of which the Enterprise's share was \$135,373. The Restoration of Yield land will be used in the future for water storage purposes. The land is listed as a non-depreciable asset.

In November 2022, The Southeastern Colorado Activity Enterprise Board of Directors approved the purchase of a 9.64-acre land parcel east Pueblo from Tri-View Metropolitan District. The land serves as the location for the injection site that is needed for the Arkansas Valley Conduit trunk lines. In 2023, the land purchase was finalized in the amount of \$37,563. The land is listed as a non-depreciable asset.

**Governmental Activities
Capital Assets
as of December 31**

	2023	2022
Nondepreciable Assets		
Perpetual water rights	\$132,237,478	\$132,237,478
Land	20,092	20,092
Construction in Progress	-	-
	132,257,570	132,257,570
Depreciable Assets		
Buildings and Improvements	1,551,769	1,529,540
Furniture & Equipment	544,732	351,886
	2,096,501	1,881,426
Accumulated Depreciation	(1,323,377)	(1,320,218)
Capital Assets, Net	\$133,030,694	\$132,818,778

**Business-Type Activities
Capital Assets
as of December 31**

	2023	2022
Nondepreciable Assets		
Land and Non-Depreciable Ass	\$172,936	\$135,373
Construction in Progress	2,951,836	831,991
	3,124,772	967,364
Depreciable Assets		
Buildings and Improvements	15,691,251	15,691,251
Hydroelectric Turbines & Equip	2,547,495	2,547,495
	18,238,746	18,238,746
Accumulated Depreciation	(1,672,696)	(1,307,409)
Capital Assets, Net	\$19,690,822	\$17,898,701

FINANCIAL CONTACT

The District's financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. Any questions should be directed to the Executive Director, Leann Noga at the Southeastern Colorado Water Conservancy District office at 31717 United Avenue, Pueblo, Colorado, 81001.

BASIC FINANCIAL STATEMENTS

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,895,842	\$ 946,736	\$ 2,842,578
Cash and cash equivalents - restricted	1,996,884	-	1,996,884
Investments	7,522,029	10,876,083	18,398,112
Investments - restricted	26,935,836	100,000	27,035,836
Receivables	12,274,487	1,136,000	13,410,487
Internal balances	2,684,358	(2,684,358)	-
Inventory	-	40,000	40,000
Prepaid contract obligation and other assets	63,496	-	63,496
Capital assets -			
Land and nondepreciable capital assets	132,257,570	3,124,772	135,382,342
Other capital assets, net of accumulated depreciation	773,124	16,566,050	17,339,174
Total Capital Assets	133,030,694	19,690,822	152,721,516
TOTAL ASSETS	186,403,626	30,105,283	216,508,909
LIABILITIES			
Accounts payable	2,003,447	1,888,615	3,892,062
Other advance deposits	343,904	39,213	383,117
Long-term liabilities -			
Due within one year -			
Contracts	2,201,358	448,110	2,649,468
Compensated absences	171,340	-	171,340
Due in more than one year -			
Loan contract	-	16,526,193	16,526,193
Contracts	10,273,005	-	10,273,005
Compensated absences	320,019	-	320,019
TOTAL LIABILITIES	15,313,073	18,902,131	34,215,204
DEFERRED INFLOWS OF RESOURCES			
Property taxes	11,839,941	-	11,839,941
NET POSITION			
Net investment in capital assets	120,556,331	1,560,628	122,116,959
Restricted for labor	250,000	-	250,000
Restricted for Bureau of Reclamation	28,932,720	100,000	29,032,720
Unrestricted	9,511,561	9,542,524	19,054,085
TOTAL NET POSITION	\$ 159,250,612	\$ 11,203,152	\$ 170,453,764

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities -				
General government	\$ 7,118,843	\$ 2,447,283	\$ -	\$ -
Total governmental activities	<u>7,118,843</u>	<u>2,447,283</u>	<u>-</u>	<u>-</u>
Business-type activities -				
Water activity	1,934,377	1,655,038	-	-
Arkansas Valley Conduit	355,856	329,599	97,044	1,957,672
Hydro project	1,066,155	1,025,255	-	-
Total business-type activities	<u>3,356,388</u>	<u>3,009,892</u>	<u>97,044</u>	<u>1,957,672</u>
 TOTAL	 <u>\$ 10,475,231</u>	 <u>\$ 5,457,175</u>	 <u>\$ 97,044</u>	 <u>\$ 1,957,672</u>
General revenues -				
Property taxes levied for general government purposes				
Property taxes levied for specific purposes				
Specific ownership taxes				
Unrestricted investment earnings (loss)				
Other				
Total general revenues				
Change in net position				
Net position, January 1				
Net position, December 31				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Change in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (4,671,560)	\$ -	\$ (4,671,560)
<u>(4,671,560)</u>	<u>-</u>	<u>(4,671,560)</u>
-	(279,339)	(279,339)
-	2,028,459	2,028,459
<u>-</u>	<u>(40,900)</u>	<u>(40,900)</u>
<u>-</u>	<u>1,708,220</u>	<u>1,708,220</u>
<u>(4,671,560)</u>	<u>1,708,220</u>	<u>(2,963,340)</u>
363,243	-	363,243
9,672,938	-	9,672,938
1,074,069	-	1,074,069
1,527,123	535,010	2,062,133
<u>110,520</u>	<u>-</u>	<u>110,520</u>
<u>12,747,893</u>	<u>535,010</u>	<u>13,282,903</u>
8,076,333	2,243,230	10,319,563
<u>151,174,279</u>	<u>8,959,922</u>	<u>160,134,201</u>
<u>\$ 159,250,612</u>	<u>\$ 11,203,152</u>	<u>\$ 170,453,764</u>

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2023**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,895,842
Cash and cash equivalents - restricted	1,996,884
Investments	7,522,029
Investments - restricted	26,935,836
Receivables	12,274,487
Due from other fund	33,721
Advance to other fund	2,799,105
Prepaid contract obligation and other prepaid items	63,496
TOTAL ASSETS	\$ 53,521,400
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities -	
Accounts payable	\$ 2,003,447
Other advance deposits	343,904
Due to other fund	148,468
Total Liabilities	2,495,819
Deferred inflows of resources -	
Property taxes	11,839,941
Total deferred inflows of resources	
Total liabilities and deferred inflows of resources	14,335,760
Fund balances -	
Nonspendable	2,518,697
Restricted	29,182,720
Committed	3,500,000
Assigned	410,133
Unassigned	3,574,090
Total fund balances	39,185,640
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 53,521,400

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Total fund balance - governmental fund \$ 39,185,640

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. The cost of these assets is capitalized and expensed over their estimated useful lives in the statement of net position and the statement of activities

Cost of capital assets	\$ 134,354,071	
Accumulated depreciation	<u>(1,323,377)</u>	133,030,694

Liabilities that are not due and payable in the current period are not reported in the governmental fund but are reported in the statement of net position as follows:

Contract payable	(12,474,363)	
Compensated absences	<u>(491,359)</u>	<u>(12,965,722)</u>

Total net position - governmental activities \$ 159,250,612

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2023**

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 10,036,181
Specific ownership taxes	1,074,069
Fountain Valley Authority contract revenue	3,685
Winter water storage	97,978
Excess capacity contract	337,836
Charges for services	2,007,784
Investment revenue (loss)	1,527,123
Other	<u>125,692</u>
TOTAL REVENUES	<u><u>15,210,348</u></u>
EXPENDITURES	
Current -	
Outside and professional services	309,785
Human resources	2,332,584
Meeting and travel	89,366
Headquarter operations	275,296
Collection fees	165,751
Water conservation and education	47,091
Winter water storage	97,978
Excess capacity contract	337,836
Fountain Valley Authority contract payments	3,685
Bureau operations, maintenance, repairs and credits	2,618,253
Planning and development	706,693
Capital outlay	309,420
Debt service -	
Principal	<u>733,786</u>
TOTAL EXPENDITURES	<u><u>8,027,524</u></u>
 NET CHANGE IN FUND BALANCE	 7,182,824
 FUND BALANCE, January 1	 <u>32,002,816</u>
 FUND BALANCE, December 31	 <u><u>\$ 39,185,640</u></u>

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net change in fund balance - governmental fund \$ 7,182,824

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

Capital outlays are reported in the governmental fund as expenditures; however, these costs are reported in the statement of net position and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay:

Depreciation expense	(82,332)	
Capital outlay	<u>309,420</u>	227,088

In the statement of activities, the loss on the disposition of capital assets is reported. The loss is not a current resources and thus is not reported in the funds. The loss on disposal of capital assets is calculated as follows:

Cost of assets disposed	(94,345)	
Accumulated depreciation of assets disposed	<u>79,173</u>	(15,172)

The governmental fund reports the principal repayment of the contract obligation as an expenditure. 733,786

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amounts actually paid. This year the amount earned \$(216,793) was more than the amount paid \$(164,600). (52,193)

Change in net position - governmental activities \$ 8,076,333

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

Business-Type Activities

	Water and Storage Activity	Arkansas Valley Conduit	Hydro Project	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ 673,259	\$ 273,477	\$ 946,736
Investments	3,816,245	2,592,991	1,341,544	7,750,780
Investments - restricted	100,000	-	-	100,000
Accounts receivable	55,951	991,886	29,672	1,077,509
Accrued interest receivable	49,268	3,745	5,478	58,491
Inventory	-	-	40,000	40,000
Due from other funds	148,468	-	-	148,468
TOTAL CURRENT ASSETS	<u>4,169,932</u>	<u>4,261,881</u>	<u>1,690,171</u>	<u>10,121,984</u>
NONCURRENT ASSETS				
Investments	1,645,968	1,088,022	391,313	3,125,303
Advance to other funds	1,190,000	-	-	1,190,000
Capital assets -				
Land and nondepreciable capital assets	135,373	2,895,754	93,645	3,124,772
Other capital assets, net of accumulated depreciation	-	-	16,566,050	16,566,050
Total capital assets	<u>135,373</u>	<u>2,895,754</u>	<u>16,659,695</u>	<u>19,690,822</u>
TOTAL NONCURRENT ASSETS	<u>2,971,341</u>	<u>3,983,776</u>	<u>17,051,008</u>	<u>24,006,125</u>
TOTAL ASSETS	<u>7,141,273</u>	<u>8,245,657</u>	<u>18,741,179</u>	<u>34,128,109</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	84,551	1,498,917	305,147	1,888,615
Contract with Bureau of Reclamation	10,819	-	-	10,819
Loan contract	-	-	437,291	437,291
Due to other funds	-	31,196	2,525	33,721
Other advance deposits	34,284	4,929	-	39,213
TOTAL CURRENT LIABILITIES	<u>129,654</u>	<u>1,535,042</u>	<u>744,963</u>	<u>2,409,659</u>
NONCURRENT LIABILITIES				
Advance from other fund	-	-	3,989,105	3,989,105
Loan contract	-	-	16,526,193	16,526,193
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>20,515,298</u>	<u>20,515,298</u>
TOTAL LIABILITIES	<u>129,654</u>	<u>1,535,042</u>	<u>21,260,261</u>	<u>22,924,957</u>
NET POSITION				
Net investment in capital assets	135,373	1,425,255	-	1,560,628
Restricted	100,000	-	-	100,000
Unrestricted	6,776,246	5,285,360	(2,519,082)	9,542,524
TOTAL NET POSITION	<u>\$ 7,011,619</u>	<u>\$ 6,710,615</u>	<u>\$ (2,519,082)</u>	<u>\$ 11,203,152</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	Business-Type Activities			
	Water and Storage Activity	Arkansas Valley Conduit	Hydro Project	Total
OPERATING REVENUES				
Charges for services	\$ 1,655,038	\$ 329,599	\$ 1,025,255	\$ 3,009,892
TOTAL OPERATING REVENUES	<u>1,655,038</u>	<u>329,599</u>	<u>1,025,255</u>	<u>3,009,892</u>
OPERATING EXPENSES				
Outside and professional services	117,031	50,051	139,705	306,787
Office and administrative expenses	1,598,431	293,998	160,426	2,052,855
Meetings and travel	-	5,279	72	5,351
Bureau operations, maintenance and repairs	-	-	52,821	52,821
Partnerships and other payments	218,915	6,528	-	225,443
Depreciation	-	-	365,287	365,287
TOTAL OPERATING EXPENSES	<u>1,934,377</u>	<u>355,856</u>	<u>718,311</u>	<u>3,008,544</u>
OPERATING INCOME (LOSS)	<u>(279,339)</u>	<u>(26,257)</u>	<u>306,944</u>	<u>1,348</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	2,054,716	-	2,054,716
Interest expense	-	-	(347,844)	(347,844)
Investment earnings (loss)	260,367	182,178	92,465	535,010
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>260,367</u>	<u>2,236,894</u>	<u>(255,379)</u>	<u>2,241,882</u>
CHANGE IN NET POSITION	(18,972)	2,210,637	51,565	2,243,230
NET POSITION, January 1	<u>7,030,591</u>	<u>4,499,978</u>	<u>(2,570,647)</u>	<u>8,959,922</u>
NET POSITION, December 31	<u>\$ 7,011,619</u>	<u>\$ 6,710,615</u>	<u>\$ (2,519,082)</u>	<u>\$ 11,203,152</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	Business-Type Activities Enterprise Funds			
	Water and Storage Activity	Arkansas Valley Conduit	Hydro Project	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,668,836	\$ 274,825	\$ 1,006,013	\$ 2,949,674
Cash paid for goods and supplies	(327,252)	(47,512)	(265,835)	(640,599)
Payments for interfund services	<u>(1,598,371)</u>	<u>(276,518)</u>	<u>(42,523)</u>	<u>(1,917,412)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(256,787)</u>	<u>(49,205)</u>	<u>697,655</u>	<u>391,663</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental revenue received	-	525,458	-	525,458
Advances (to) from other funds	<u>316,676</u>	<u>-</u>	<u>-</u>	<u>316,676</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>316,676</u>	<u>525,458</u>	<u>-</u>	<u>842,134</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment on contract obligation	(60,001)	-	(428,716)	(488,717)
Interest paid	-	-	(693,188)	(693,188)
Capital expenditures	<u>-</u>	<u>(1,099,564)</u>	<u>-</u>	<u>(1,099,564)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(60,001)</u>	<u>(1,099,564)</u>	<u>(1,121,904)</u>	<u>(2,281,469)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	57,900	63,825	52,380	174,105
Maturity and sales of investments	2,566,946	1,785,298	1,495,479	5,847,723
Purchase of investments	<u>(2,624,734)</u>	<u>(1,462,795)</u>	<u>(1,239,753)</u>	<u>(5,327,282)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>112</u>	<u>386,328</u>	<u>308,106</u>	<u>694,546</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(236,983)	(116,143)	(353,126)
CASH AND CASH EQUIVALENTS, January 1	<u>-</u>	<u>910,242</u>	<u>389,620</u>	<u>1,299,862</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ -</u>	<u>\$ 673,259</u>	<u>\$ 273,477</u>	<u>\$ 946,736</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS (Cont'd.)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	Business-Type Activities Enterprise Funds			
	Water and Storage Activity	Arkansas Valley Conduit	Hydro Project	Total
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (279,339)	\$ (26,257)	\$ 306,944	\$ 1,348
Adjustments to reconcile operating income (loss) to net cash (used) by operating activities -				
Depreciation	-	-	365,287	365,287
Change in assets and liabilities -				
Accounts receivable	(7,212)	(54,774)	(19,242)	(81,228)
Accounts payable	8,754	22,782	83,934	115,470
Inventory	-	-	(40,000)	(40,000)
Other advance deposits	21,010	-	-	21,010
Due to other funds	-	9,044	732	9,776
	<u>\$ (256,787)</u>	<u>\$ (49,205)</u>	<u>\$ 697,655</u>	<u>\$ 391,663</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Change in fair value of investments	<u>\$ 172,759</u>	<u>\$ 129,189</u>	<u>\$ 36,021</u>	<u>\$ 337,969</u>
Change in intergovernmental receivables	<u>\$ -</u>	<u>\$ 901,187</u>	<u>\$ -</u>	<u>\$ 901,187</u>
Change in capital related payables	<u>\$ -</u>	<u>\$ 995,524</u>	<u>\$ 62,320</u>	<u>\$ 1,057,844</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2023

	Custodial Funds		
	Winter Water Spill Credit Program	Regional Resource Planning	Total
ASSETS			
Investments	\$ 426,240	\$ 8,904	\$ 435,144
TOTAL ASSETS	426,240	8,904	435,144
 LIABILITIES			
Accounts payable and other liabilities	-	-	-
TOTAL LIABILITIES	-	-	-
 NET POSITION			
Restricted	426,240	8,904	435,144
TOTAL NET POSITION	\$ 426,240	\$ 8,904	\$ 435,144

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2023

	Custodial Funds		Total
	Winter Water Spill Credit Program	Regional Resource Planning	
ADDITIONS			
Investment earnings	\$ 20,039	\$ 419	\$ 20,458
TOTAL ADDITIONS	<u>20,039</u>	<u>419</u>	<u>20,458</u>
DEDUCTIONS			
Benefits paid to participants or beneficiaries	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in fiduciary net position	<u>20,039</u>	<u>419</u>	<u>20,458</u>
NET POSITION - Beginning	406,201	8,485	414,686
NET POSITION - Ending	<u>\$ 426,240</u>	<u>\$ 8,904</u>	<u>\$ 435,144</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southeastern Colorado Water Conservancy District (the District) was created in 1958 under Colorado statutes to manage water resources of the Arkansas River Basin and to function as the legal taxing agency for the administration of the Fryingpan-Arkansas project and contracting agent with the federal government for reimbursable costs of the project.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting practices used by the District are described below.

A. REPORTING ENTITY

As required by generally accepted accounting principles, the District (the primary government) includes, if applicable, component units in its financial statements based upon financial accountability. Inasmuch as no component unit meets the criteria for inclusion, no component unit financial statements have been included.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all the non-fiduciary activities of the District. For the most part, the effect of interfund 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 government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. Program revenues include, if applicable, (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other internally dedicated resources are reported as general revenues rather than program revenues. The net cost by function or business-type activity is normally covered by general revenues such as property taxes, specific ownership taxes or other unrestricted revenues.

Separate fund financial statements are provided for the major governmental fund, the major proprietary funds and the fiduciary fund, even though the latter is excluded from the government-wide financial statements.

The District's fiduciary fund is presented in the fund financial statements by type since by definition these assets are held for the benefit of third parties and cannot be used to assist the activities or obligations of the government. These funds are not incorporated into the government-wide statements.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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 are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied, while grants and similar items are recognized as revenue when all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred as is the case with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund, while proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, interest and charges for services are considered revenues susceptible to accrual. Contributions and miscellaneous revenue are recorded as revenues when received in cash because they are not generally measurable until received in cash.

Business-type activities and the proprietary funds are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the activity or fund are included on the statement of net position. The proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net position. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operation. The principal operating revenues of the District's water and storage activity enterprise funds and the hydro project enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, along with administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

GOVERNMENTAL FUND

The District reports the following major governmental fund:

- The general fund is the primary operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources of the District except those required to be accounted for in a separate fund. Major revenue sources include property taxes, specific ownership taxes, and contractual revenue. Primary expenditures include general government and debt service.

PROPRIETARY FUNDS

The following is a description of the major proprietary funds of the District:

- The water and storage activity fund includes the sale and administration of water for the Fryingpan-Arkansas project, related surcharges and return flows. In addition, this fund is responsible for the safety of dams repayment obligation. Other projects accounted for in this fund include (1) the Arkansas Valley Conduit; (2) the excess capacity master contract; and (3) possible enlargement of the Pueblo Reservoir and Turquoise Lake. This fund also may include other water related programs and projects as identified by the board of directors.
- The Arkansas Valley Conduit fund project reached final design stages in 2020. Activities of the fund include final design, construction, administration, and operations of the Arkansas Valley Conduit Project, along with any future accumulation of resources for the payment of principal and interest on long-term debt. The revenues generated many include state and/or federal loans or grants and participant revenues. All costs are financed through charges to customers with rates established based on contractual agreement and/or through state and/or federal grants and loans. Construction of the Arkansas Valley Conduit began in 2023.
- The hydro project fund, which began construction during the latter part of 2017, was created to develop hydro power on the Pueblo Dam. Activities of the fund include construction, administration, operation and maintenance of the hydro project, along with accumulation of resources for the payment of principal and interest on long-term debt. The revenues generated by the hydro project are pledged as collateral for the repayment of the contract loan. All costs are financed through charges to customers with rates established based on contractual agreement. The loan with Colorado Water Conservation Board was closed and the first principal and interest payments were made in 2023.

FIDUCIARY FUNDS

The District reports two custodial funds that account for funds held and related investment income for the Winter Water Spill Credit Program and Regional Resource Planning.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is the administrative charge imposed on the water and storage activity enterprise fund by the general fund. Elimination of this charge would distort the direct costs and program revenues reported for the functions affected.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

D. BUDGETARY PRINCIPLES

The District adheres to the following procedures in establishing its budgets:

On or before October 15 of each year, the budget officer submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments and the District adopts budgets for all funds. All funds, including the enterprise funds, use the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law through the passage of appropriation resolutions. Budgetary control exists at the total fund level and the budget amounts reported reflect all amendments, if any, enacted by the District.

E. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist of interest, non-interest-bearing demand deposits and money market accounts held at banks. Investments include money market mutual funds, and Colotrust, as well as brokered certificates of deposit and U.S. Treasury and agency securities that are reported at fair value. Any related unrealized gain or loss is included as part of investment revenue.

For purposes of the statement of cash flows, the District considers demand deposits to be cash and cash equivalents.

F. PROPERTY TAXES

Property taxes are levied by December 15 of each year based on the assessed value of property as certified by the County Assessor in each county within the District's boundaries by the previous December 10. Assessed values are a percentage of actual values and a reevaluation of all property must be made every two years. The last re-valuation date was January 1, 2023 for the 2022 base year specified by state law.

The taxes levied by December 15, 2023 reflect 2023 property taxes that will be collected in 2024 by the County Treasurer in each county within the District's boundaries. Taxes collected by each Treasurer are remitted to the District on a monthly basis. These taxes are due January 2, 2024 and may be paid in two installments (February 28 and June 15) or they may be paid in full April 30. Taxes not paid in accordance with this schedule accrue interest and penalty charges and are subject to liens if not paid by November.

G. INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified, if applicable, as "due from other funds" and "due to other funds" in the fund financial statements. Other amounts reported as "advances to other funds" and "advances from other funds" are not expected to be repaid within the short-term.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

H. PREPAID ITEMS AND INVENTORY

Prepaid items represent payments made for expenditures to be charged to a future accounting period and are recognized using the consumption method. The prepaid contract obligation reported in the governmental activities and the general fund are also reported as a liability since the collection of the funds occurs prior to the accounting period for which it is effective and is characterized as an exchange transaction under generally accepted accounting principles.

Inventory items are recorded at cost, which approximates market value using the average cost method. The Authority's inventory represents spare parts for the Hydro plant and equipment.

I. CAPITAL ASSETS

Capital assets, which include perpetual water rights, land, construction-in-progress, buildings and improvements, along with furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District previously established a capitalization threshold of \$5,000. This level was set so as to maintain a balance between accountability and managing the costs of recording and tracking these assets. Capital assets are defined as assets with an initial individual cost or estimated cost that equals or exceeds the limit identified above and have a useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at acquired value at the time received. Normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is not included as part of the capitalized value of assets constructed.

Capital assets of the District, except for land, perpetual water rights and construction-in-progress, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Governmental Activities</u>
Buildings and improvements	5-30
Furniture and equipment	3-10

Perpetual water rights represent the District's share of the original costs of construction and are not depreciated or amortized. The original contract between the United States Bureau of Reclamation and the District grants the District perpetual rights to use water made available by the project. Project property and all related facilities remain in the exclusive control, possession and ownership of the United States.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate vacation and sick pay benefits up to predetermined maximums and are compensated for these accumulated vacation and sick pay benefits either through paid time off or at termination or retirement.

Accumulated vacation and sick leave are accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured; for example, as a result of employee resignations and retirements.

K. LONG-TERM LIABILITIES

In the government-wide financial statements and the fund financial statements for the enterprise funds, long-term debt and other similar long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts, as well as bond insurance costs, if any, are deferred and amortized over the life of the obligation using the interest method. No imputed interest is considered in relation to the safety of dams obligation to the Bureau of Reclamation.

L. FUND EQUITY

The governmental fund reports fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for the District's governmental fund consists of the following:

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term fund advances.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the District's board of directors. Commitments may be modified or changed only by the District's board of directors approving a new resolution. Commitments also include contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District's board of directors to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.
- Unassigned – this is the residual classification for the general fund.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

In the governmental fund financial statements, bond premium and discounts, as well as bond issue costs, if any, are recognized during the current period. The face amount of the debt issue, along with the related discount on premium, if any, is reported as other financing sources while debt issue costs are reported as debt service expenditures.

In the government-wide financial statements, net position is classified in the following categories:

- Net investment in capital assets – this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction or improvement of capital assets.
- Restricted net position – this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.
- Unrestricted net position – this classification represents the remainder of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

When both restricted and unrestricted resources are available for net position use, it is the District’s policy to use restricted resources first and then use unrestricted resources as they are needed.

M. INTERFUND TRANSACTIONS

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

N. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

O. NEW ACCOUNTING PRONOUNCEMENTS

For 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. These changes had no effect on the District's 2023 financial statements as the District has no arrangements applicable to this standard.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are summarized as follows:

Cash and cash equivalents		
Demand deposits	\$	2,842,578
Demand deposits - restricted for Bureau operations		<u>1,996,884</u>
	\$	<u><u>4,839,462</u></u>
Investments		
U.S. Treasury securities	\$	1,551,653
U.S. Treasury securities - restricted		9,055,145
U.S. agency securities		14,840,533
Brokered certificates of deposit - restricted		16,947,329
Colostrust pooled investments		1,965,275
Money market funds held at brokerages		475,795
Money market funds held at brokerages - restricted		<u>1,033,362</u>
		<u><u>\$ 45,869,092</u></u>

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
Reported in the financial statements as follows:		
Government-wide statement of net position	\$ 4,839,462	\$ 45,433,948
Statement of fiduciary assets and liabilities	<u>-</u>	<u>435,144</u>
	<u><u>\$ 4,839,462</u></u>	<u><u>\$ 45,869,092</u></u>

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS(Cont'd.)

DEPOSITS

At December 31, 2023, the carrying amount of the District's deposits was \$4,839,462 and the bank balance was \$5,083,767. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,833,767 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The fair value of the collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes as described above. At December 31, 2023, deposits with a bank balance of \$4,833,767 are not insured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the District's name.

INVESTMENTS

The District is subject to the provisions of Colorado Revised Statutes 24-75-601 which is entitled "Concerning Investment in Securities by Public Entities". This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, banker's acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts, and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five-year maturity unless the governing body authorizes a longer period.

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 asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District uses a pricing matrix to estimate fair value of its level 2 investments.

The District's Colo Trust accounts are reported at fair value. However, these investments are not subject to the fair value hierarchy.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS(Cont'd.)

At December 31, 2022, the District had the following investments and maturities:

Investment Type	Level 1	Level 2	Level 3	Total	Concen- tration	Investment Maturities (in years)	
						Less than 1	1-5
U.S. treasuries	\$ -	\$ 10,606,798	\$ -	\$ 10,606,798	23.1%	\$ 5,032,472	\$ 5,574,326
U.S. agencies	-	14,840,533	-	14,840,533	32.4%	9,412,776	5,427,757
Brokered CDs	-	16,947,329	-	16,947,329	36.9%	10,784,170	6,163,159
Money market mutual funds	<u>1,509,157</u>	<u>-</u>	<u>-</u>	<u>1,509,157</u>	3.3%	<u>1,509,157</u>	<u>-</u>
Subtotal	<u>\$ 1,509,157</u>	<u>\$ 42,394,660</u>	<u>\$ -</u>	<u>43,903,817</u>	95.7%	<u>26,738,575</u>	<u>17,165,242</u>
Colo Trust				<u>1,965,275</u>	4.3%	<u>1,965,275</u>	<u>-</u>
				<u>\$ 45,869,092</u>		<u>\$ 28,703,850</u>	<u>\$ 17,165,242</u>

The investment maturity tabulation presented above for the U.S. Treasury and agency securities is based on each security's stated maturity date.

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

- U.S. Treasury securities of \$10,606,798 are valued using quoted market prices (Level 2 inputs).
- U.S. Agency securities of \$14,840,833 and Brokered CDs of \$16,947,329 are valued using a matrix pricing model (Level 2 inputs).

Custodial credit risk – Custodial credit risk for investments is the risk of that, in the event of the failure of the counterparties, the District will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not limit the holding of securities by counterparties.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – State law limits investments in money market funds to funds that are registered as an investment company; the fund investment policies must seek to maintain a constant price and no sales or bond fee can be added to the purchase or redemption price. The District has no investment policy that would further limit its investment choices. As of December 31, 2023, the District's investment in money market funds is rated Aaa-mf by Moody's, the U.S. agency securities are rated Aaa by Moody's and AA+ by Standard and Poor's.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS(Cont'd.)

The ColoTrust investment pool (the Trust) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similar to a money market fund and each share is equal in value to \$1. The Trust offers two portfolios, ColoTrust Prime and ColoTrust Plus+. ColoTrust Prime invests only in U.S. Treasury and government agencies. ColoTrust Plus+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 3 – RECEIVABLES

Receivables at December 31, 2023 consist of the following:

	<u>Governmental Activities</u>
Property taxes	\$ 11,839,941
Accounts	87,996
Interest	<u>346,550</u>
	<u>\$ 12,274,487</u>
	<u>Business-Type Activities</u>
Accounts	\$ 1,077,509
Interest	<u>58,491</u>
	<u>\$ 1,136,000</u>

The amount reported above for property taxes totaling \$11,839,941 is also reported as a deferred inflow of resources as required under generally accepted accounting principles.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 – INTERFUND RECEIVABLES/PAYABLES

The following interfund receivables and payables are included in the fund financial statements at December 31, 2023:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Fund –		
General fund	\$ 33,721	\$ 148,468
Total governmental fund	<u>33,721</u>	<u>148,468</u>
Enterprise Fund –		
Water and storage activity	148,468	-
Arkansas Valley Conduit	-	31,196
Hydro Project	<u>-</u>	<u>2,525</u>
Total enterprise fund	<u>148,468</u>	<u>33,721</u>
	<u>\$ 182,189</u>	<u>\$ 182,189</u>

The amounts reported as due from other funds and due to other funds are reflective of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures/expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts reported as due from other funds are expected to be collected in the subsequent year. In addition, the due from general fund totaling \$148,468 as reported above in the water and storage activity enterprise fund reflects that fund's claim on the cash and cash equivalents and investments held and reported by the general fund.

The following table summarizes advances to/from other funds at December 31, 2023:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental Fund –		
General fund	\$ 2,799,105	\$ -
Total governmental fund	<u>2,799,105</u>	<u>-</u>
Enterprise Fund –		
Water and storage activity	1,190,000	-
Hydro project	<u>-</u>	<u>3,989,105</u>
Total enterprise funds	<u>1,190,000</u>	<u>3,989,105</u>
	<u>\$ 3,989,105</u>	<u>\$ 3,989,105</u>

The fund advances reported above are all related to the construction of the hydro project and are expected to be collected subsequent to December 31, 2024.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023 was as follows:

	Balance January 1, <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2023</u>
Governmental activities –				
Nondepreciable assets –				
Intangible assets -				
Perpetual water rights	\$ 132,237,478	\$ -	\$ -	\$ 132,237,478
Land	20,092	-	-	20,092
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>132,257,570</u>	-	-	<u>132,257,570</u>
Depreciable assets –				
Buildings and improvements	1,529,540	108,930	(86,701)	1,551,769
Furniture and equipment	<u>351,886</u>	<u>200,490</u>	<u>(7,644)</u>	<u>544,732</u>
Total capital assets being depreciated	<u>1,881,426</u>	<u>309,420</u>	<u>(94,345)</u>	<u>2,096,501</u>
Less: accumulated depreciation –				
Buildings and improvements	(1,023,694)	(57,082)	71,529	(1,009,247)
Furniture and equipment	<u>(296,524)</u>	<u>(25,250)</u>	<u>7,644</u>	<u>(314,130)</u>
Total accumulated depreciation	<u>(1,320,218)</u>	<u>(82,332)</u>	<u>79,173</u>	<u>(1,323,377)</u>
Capital assets being depreciated, net	<u>561,208</u>	<u>227,088</u>	<u>(15,172)</u>	<u>773,124</u>
Total governmental activities capital assets, net	<u>\$ 132,818,778</u>	<u>\$ 227,088</u>	<u>\$ (15,172)</u>	<u>\$ 133,030,694</u>

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 – CAPITAL ASSETS (Cont'd.)

	Balance January 1, <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2023</u>
Business-type activities				
Non-depreciable assets –				
Water & Storage land	\$ 135,373	\$ 37,563	\$ -	\$ 172,936
Construction in progress	<u>831,991</u>	<u>2,119,845</u>	<u>-</u>	<u>2,951,836</u>
Total capital assets not being depreciated	<u>967,364</u>	<u>2,157,408</u>	<u>-</u>	<u>3,124,772</u>
Depreciable assets –				
Hydro buildings and improvements	15,691,251	-	-	15,691,251
Hydro turbine and equipment	<u>2,547,495</u>	<u>-</u>	<u>-</u>	<u>2,547,495</u>
Total capital assets being depreciated	<u>18,238,746</u>	<u>-</u>	<u>-</u>	<u>18,238,746</u>
Less: accumulated depreciation –				
Hydro buildings and improvements	(1,124,838)	(314,337)	-	(1,439,175)
Hydro turbine and equipment	<u>(182,571)</u>	<u>(50,950)</u>	<u>-</u>	<u>(233,521)</u>
Total accumulated depreciation	<u>(1,307,409)</u>	<u>(365,287)</u>	<u>-</u>	<u>(1,672,696)</u>
Capital assets being depreciated, net	<u>16,931,337</u>	<u>(365,287)</u>	<u>-</u>	<u>16,566,050</u>
Total business-type activities	<u>\$ 17,898,701</u>	<u>\$ 1,792,121</u>	<u>\$ -</u>	<u>\$ 19,690,822</u>

Depreciation expense of \$82,332 was charged to the general government function.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities in the government-wide financial statements for the year ended December 31, 2023:

	Balance January 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2023</u>	<u>Due Within One Year</u>
Governmental activities –					
Contract obligation –					
Bureau of					
Reclamation	\$ 13,208,149	\$ -	\$ (733,786)	\$ 12,474,363	\$ 2,201,358
Compensated absences	<u>439,166</u>	<u>216,793</u>	<u>(164,600)</u>	<u>491,359</u>	<u>171,340</u>
Total governmental activities	<u>\$ 13,647,315</u>	<u>\$ 216,793</u>	<u>\$ (898,386)</u>	<u>\$ 12,965,722</u>	<u>\$ 2,372,698</u>

Payments on the contract obligation to the Bureau of Reclamation and the compensated absences liability are recorded in the general fund.

	Balance January 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2023</u>	<u>Due Within One Year</u>
Business-type activities –					
Hydro loan contract	\$ 17,392,200	\$ -	\$ (428,716)	\$ 16,963,484	\$ 437,291
Safety of dams contract obligation	<u>70,820</u>	<u>-</u>	<u>(60,001)</u>	<u>10,819</u>	<u>10,819</u>
Total business-type activities	<u>\$ 17,463,020</u>	<u>\$ -</u>	<u>\$ (488,717)</u>	<u>\$ 16,974,303</u>	<u>\$ 448,110</u>

The loan contract will ultimately be serviced by the hydro project enterprise fund, while the safety of dams contract obligation is serviced by the water and storage activity enterprise fund.

The following is a description of each individual issue for the governmental activities:

The original contract obligation to the Bureau of Reclamation totaled \$132,237,478 and represents the District's share of the original costs of construction. The agreement with the Bureau of Reclamation included an agricultural component totaling \$74,348,993 with no interest provision and a municipal and industrial component totaling \$57,888,485 that carried an interest rate of 3.0460% and was completely paid effective September 30, 2009. An amendment to the contract was executed on September 20, 2018 which altered the debt schedule. Principal payments are now due in semi-annual installments of \$733,786 through 2031.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 - LONG-TERM LIABILITIES (Cont'd.)

The estimated debt service requirements for the governmental activities contract obligation with the Bureau of Reclamation is as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,201,358	\$ -	\$ 2,201,358
2025	1,467,572	-	1,467,572
2026	1,467,572	-	1,467,572
2027	1,467,572	-	1,467,572
2028	1,467,572	-	1,467,572
2029-2031	<u>4,402,717</u>	<u>-</u>	<u>4,402,717</u>
	<u>\$ 12,474,363</u>	<u>\$ -</u>	<u>\$ 12,474,363</u>

The following is a description of each individual issue for the business-type activities:

\$17,392,200 loan contract with the Colorado Water Conservation Board for construction of the Hydro Project; Interest rate of 2.0%; debt will be serviced by the hydro project fund; Annual debt service requirements including principal and interest of \$776,560 to begin December 31, 2023 through December 31, 2052; revenue from hydro project serves as collateral for loan contract \$ 16,963,484

The above loan contract represents the approved loan request of the District for the Arkansas Valley phase 1, Pueblo dam hydroelectric project to help the communities of the lower Arkansas river basin provide a safe and reliable water supply to replace their dependence on contaminated ground water.

The debt service requirements for the loan contract follows below:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 437,291	\$ 339,269	\$ 776,560
2025	446,037	330,523	776,560
2026	454,957	321,603	776,560
2027	464,056	312,504	776,560
2028	473,338	303,222	776,560
2029-2033	2,512,533	1,370,267	3,882,800
2034-2038	2,774,039	1,108,761	3,882,800
2039-2043	3,062,764	820,036	3,882,800
2044-2048	3,381,538	501,262	3,882,800
2049-2052	<u>2,956,931</u>	<u>149,309</u>	<u>3,106,240</u>
	<u>\$ 16,963,484</u>	<u>\$ 5,556,756</u>	<u>\$ 22,520,240</u>

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 - LONG-TERM LIABILITIES (Cont'd.)

The safety of dams contract obligation to the Bureau of Reclamation represents the District's share of the agricultural portion of repair costs incurred for the dam. The obligation is due in annual installments of \$60,000 through 2023 with a final payment of \$10,819 due in 2024. There is no provision for interest on this contract.

NOTE 7 – NET POSITION

Restricted net position represents the District's net position whose uses are subject to constraints that are either (1) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net position for governmental activities is as follows:

Tabor	\$ 250,000
Bureau of Reclamation	<u>28,932,720</u>
Total restricted net position	<u>\$ 29,182,720</u>

Restricted for tabor – This represents an amount that exceeds the 3% minimum requirement as outlined in the Colorado constitution. Under provisions of the Colorado constitution, a portion of the District's net position can be used for declared emergencies only and the District must maintain 3% or more of its fiscal year spending in this restricted account.

Restricted for Bureau of Reclamation – This represents amounts of specific ad valorem taxes collected in excess of the total debt payments and operation, maintenance and repair payments made to the Bureau of Reclamation beginning in 2018 and future years. These excess funds must be held and restricted to be used for the District's proportional share of future period replacements, additions, extraordinary maintenance, rehabilitation, betterment (in situations where recurrence of severe problems can be eliminated), and/or unforeseen and unscheduled emergency maintenance work incurred by the Bureau of Reclamation as provided for in the District's contract with the Bureau. At December 31, 2023, \$1,996,884 of restricted funds were held in the District's main demand deposit account, \$8,955,145 was held in U.S Treasury notes, \$16,947,329 in F.D.I.C insured brokered certificates of deposit, and \$1,033,362 in money market funds. \$100,000 was also held in a pledged U.S. Treasury Note that is reported in business-type activities in the Water and Storage Activity fund.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 – FUND BALANCES

As of December 31, 2023, fund balances are composed of the following:

	<u>General Fund</u>
Nonspendable –	
Prepaid items	\$ 63,496
Long-term fund advances (net)	2,799,105
Other advance deposits	(343,904)
Restricted –	
Tabor	250,000
Bureau of Reclamation	28,932,720
Committed –	
Repayment obligation	1,500,000
Development of enlargement space	2,000,000
Assigned –	
Subsequent year’s budget	45,133
Capital related commitments	365,000
Unassigned	<u>3,574,090</u>
Total fund balances	<u>\$ 39,185,640</u>

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, property and casualty, errors and omissions, injuries to employees and health claims. Risks of loss from property and liability coverage are covered by the District’s participation in the Colorado Special District’s property and liability pool which is a separate and independent governmental public entity risk pool formed through intergovernmental agreement by member special districts to provide defined liability and property coverage. The aggregate limit of losses paid by the pool for property claims is limited to \$1,000,000 with commercial company reinsurance covering any losses in excess of that amount up to \$2,000,000. All other risks of loss are handled by the purchase of commercial insurance. Settled claims from the liability pool and commercial policy have not exceeded the insurance coverage in any of the past three years.

NOTE 10 - EMPLOYEE BENEFITS

The District contributes to the Southeastern Colorado Water Conservancy District 401(a) Plan (the Plan), a defined contribution pension plan for its full-time employees. The Plan is administered by Equitable Financial Life Insurance Company.

Benefit terms for the Plan, including participation criteria and contribution requirements, are established and may be amended by the Board of Directors. For each employee the Plan provides for employer contributions of up to 10% of compensation. For the year ended December 31, 2023, the District recognized pension expense of \$157,336.

Employees are immediately vested in District contributions and earnings on those contributions upon becoming a participant which occurs when an employee completes one year of service. The District also contributes to the Southeastern Colorado Water Conservancy District 457 Plan (the 457 Plan), a defined contribution pension plan for its full-time employees. The Plan is administered by Equitable Financial Life Insurance Company.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 - EMPLOYEE BENEFITS (Cont'd.)

Benefit terms for the 457 Plan, including contribution requirements, are established and may be amended by the Board of Directors. For each employee, the 457 Plan provides for employee voluntary contributions and the District matches those employee contributions up to 5% of compensation. For the year ended December 31, 2022, employee contributions totaled \$133,005 and the District recognized pension expense of \$79,840.

Employees are immediately vested in both the District's contributions and their own contributions, along with the earnings on those contributions.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Colorado voters passed an amendment to the state constitution which contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment, commonly known as the Tabor amendment, is complex and subject to judicial interpretation; however, the District believes it is in compliance with the requirements of the amendment. The District has made certain interpretations of the amendment's language in order to determine its compliance.

On September 20, 2018, the U.S. Bureau of Reclamation and the District completed Amendment 11 to the Fryingpan-Arkansas Contract. This amendment amortized semi-annual installments of \$733,786 to decrease the remaining debt of the Project through the remaining contract term ending in December 2031. The amendment required an upfront or pre-payment of the District portion of the operations maintenance and replacement for the Project. This pre-payment was based on an estimation of costs as well as a true-up process of actual cost calculated with each semi-annual installment. Pre-payment for operations maintenance and replacement for the Project was completely used by December 31, 2019. The Amendment also requires the District to hold in restricted reserve the amount of any annual Project-related property tax collected less the total annual installment. At December 31, 2023 the excess collections totaled \$28,932,720.

The total 2023 installments made to the U.S. Bureau of Reclamation was \$1,943,212.

The District entered into a long-term master contract with the U.S. Department of the Interior for the use of excess capacity in the facilities of the Fryingpan-Arkansas project on December 23, 2016 for a term of 40 years beginning on that date. The purpose of the contract is to provide a long-term contract for the storage of non-project water and project water return flows in Pueblo Reservoir, and if and when excess capacity is available, so that the District may then subcontract with Master Contract Participants to provide the Excess Capacity to the Participants. The contract rate has an excess capacity floor that is set based on the participant's commitments to purchase acre feet of capacity. This commitment can increase from time to time but cannot decrease. The base per acre foot rate increases 1.79% per year. The total excess capacity charges for 2023 were \$337,836. The participants increased their capacity beginning in 2024 to 7,585 acre feet or \$343,904 in required payments. The District bills the participants and remits these collections to the U.S. Department of the Interior annually; however, the District is required to make the annual payment whether or not funds are fully collected from the participants. The District is also allowed to charge an administrative charge to the participants. All collections under this master contract are to be credited to the Fryingpan-Arkansas project for future project needs.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Cont'd.)

The excess capacity contract payment requirements for this master contract follow below:

Year Ended December 31,	<u>Required Payments</u>
2024	\$ 343,904
2025	350,060
2026	356,326
2027	362,704
2028	369,196
2029-2033	1,947,510
2034-2038	2,128,164
2039-2043	2,325,577
2044-2048	2,541,302
2049-2052	2,777,038
2053-2055	<u>1,181,654</u>
	<u>\$ 14,683,435</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual Budget</u> <u>Basis</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 10,030,503	\$ 10,030,503	\$ 10,036,181	\$ 5,678
Collection fees	(174,100)	(174,100)	(165,751)	8,349
Specific ownership taxes	830,000	830,000	1,074,069	244,069
Winter water storage	117,600	117,600	97,978	(19,622)
Excess capacity contract	337,836	337,836	337,836	-
Charges for services	2,200,139	2,200,139	2,007,784	(192,355)
Intergovernmental	550,000	550,000	-	(550,000)
Fountain Valley Authority contract revenue	2,600,000	2,600,000	3,685	(2,596,315)
Investment revenue (loss)	283,545	283,545	1,527,123	1,243,578
Other	-	-	125,692	125,692
TOTAL REVENUES	<u>16,775,523</u>	<u>16,775,523</u>	<u>15,044,597</u>	<u>(1,730,926)</u>
EXPENDITURES				
Current -				
Outside and professional services	446,621	446,621	309,785	136,836
Human resources	2,813,055	2,813,055	2,332,584	480,471
Meeting and travel expenditures	99,371	99,371	89,366	10,005
Headquarter operations	280,858	280,858	275,296	5,562
Water conservation and education	62,830	62,830	47,091	15,739
Winter water storage	117,600	117,600	97,978	19,622
Excess capacity contract	337,836	337,836	337,836	-
Fountain Valley Authority contract payments	2,600,000	2,600,000	3,685	2,596,315
Bureau operations, maint. & repair	2,629,261	2,629,261	2,618,253	11,008
Bureau operations, OM&R credits	(587,846)	(587,846)	-	(587,846)
Planning and development	733,000	733,000	706,693	26,307
Contingency and other	583,686	583,686	-	583,686
Capital outlay	314,000	314,000	309,420	4,580
Debt service	1,467,572	1,467,572	733,786	733,786
TOTAL EXPENDITURES	<u>11,897,844</u>	<u>11,897,844</u>	<u>7,861,773</u>	<u>4,036,071</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,877,679	4,877,679	7,182,824	2,305,145
FUND BALANCE, January 1	<u>1,107,402</u>	<u>1,107,402</u>	<u>32,002,816</u>	<u>30,895,414</u>
FUND BALANCE, December 31	<u>\$ 5,985,081</u>	<u>\$ 5,985,081</u>	<u>\$ 39,185,640</u>	<u>\$ 33,200,559</u>

See Notes to Required Supplementary Information

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE BUDGETARY BASIS OF ACCOUNTING
TO GAAP BASIS OF ACCOUNTING
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023**

BUDGETARY BASIS

Explanation of differences between budgetary revenues and
GAAP revenues and budgetary expenditures and GAAP expenditures

REVENUES

Actual amounts (budgetary basis) of revenues from budgetary comparison schedule	\$ 15,044,597
Differences - budget to GAAP - Classification of collection fees	<u>165,751</u>

GAAP BASIS REVENUE	<u><u>\$ 15,210,348</u></u>
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EXPENDITURES

Actual amounts (budgetary basis) of expenditures from budgetary comparison schedule	\$ 7,861,773
Differences - budget to GAAP - Classification of collection fees	<u>165,751</u>

GAAP BASIS EXPENDITURES	<u><u>\$ 8,027,524</u></u>
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SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

BUDGETARY INFORMATION

Southeastern Colorado Water Conservancy District (the District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

On or before October 15, the executive director and the budget officer submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments. The District adopts budgets for all funds. The general fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

See Independent Auditors' Report

ADDITIONAL INFORMATION

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
WATER AND STORAGE ACTIVITY ENTERPRISE FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	<u>Final</u> <u>Budget</u>	Actual (Non-GAAP <u>Basis</u>)	Variance With <u>Final Budget</u>
REVENUES			
Charges for services	\$ 1,635,162	\$ 1,655,038	\$ 19,876
Intergovernmental	61,324	-	(61,324)
Investment revenue (loss)	64,290	260,367	196,077
TOTAL REVENUES	<u>1,760,776</u>	<u>1,915,405</u>	<u>154,629</u>
EXPENDITURES			
Current -			
Outside services	197,357	117,031	80,326
Personnel services	1,236,728	1,105,183	131,545
Office and administrative expenses	493,361	493,248	113
Legislative and water education	293,341	218,915	74,426
Contingency	77,458	-	77,458
Capital outlay	500,000	-	500,000
Debt service	60,000	60,000	-
TOTAL EXPENDITURES	<u>2,858,245</u>	<u>1,994,377</u>	<u>863,868</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,097,469)</u>	(78,972)	<u>\$ 1,018,497</u>
GAAP ADJUSTMENTS			
Principal payment on contract obligation		<u>60,000</u>	
CHANGE IN NET POSITION		<u>\$ (18,972)</u>	

See Independent Auditors' Report

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
ARKANSAS VALLEY CONDUIT ENTERPRISE FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	<u>Final Budget</u>	Actual (Non-GAAP Basis)	<u>Variance With Final Budget</u>
REVENUES			
Charges for services	\$ 329,599	\$ 329,599	\$ -
Intergovernmental	2,986,319	2,054,716	(931,603)
Investment revenue (loss)	<u>15,428</u>	<u>182,178</u>	<u>166,750</u>
TOTAL REVENUES	<u>3,331,346</u>	<u>2,566,493</u>	<u>(764,853)</u>
EXPENDITURES			
Current -			
Outside services	2,676,660	50,051	2,626,609
Personnel services	378,347	258,466	119,881
Office and administrative expenses	30,447	35,532	(5,085)
Travel and related expenses	12,550	5,279	7,271
Legislative and water education	7,447	6,528	919
Contingency	546,567	-	546,567
Capital outlay	<u>25,000</u>	<u>2,095,088</u>	<u>(2,070,088)</u>
TOTAL EXPENDITURES	<u>3,677,018</u>	<u>2,450,944</u>	<u>1,226,074</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (345,672)</u>	115,549	<u>\$ 461,221</u>
GAAP ADJUSTMENTS			
Capital outlay		<u>2,095,088</u>	
CHANGE IN NET POSITION		<u>\$ 2,210,637</u>	

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
HYDRO PROJECT FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	<u>Final Budget</u>	<u>Actual (Non-GAAP Basis)</u>	<u>Variance with Final Budget</u>
REVENUES AND OTHER FINANCING SOURCES			
Charges for services	\$ 1,332,142	\$ 1,025,255	(306,887)
Proceeds from borrowings	172,200	-	(172,200)
Investment earnings	<u>20,268</u>	<u>92,465</u>	<u>72,197</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>1,524,610</u>	<u>1,117,720</u>	<u>(406,890)</u>
EXPENDITURES			
Current -			
Outside services	101,989	139,705	(37,716)
Personnel services	41,103	21,577	19,526
Office and administrative expenditures	146,221	138,921	7,300
Bureau operations, maintenance and repairs	64,479	92,821	(28,342)
Interest expense	347,844	347,844	-
Contingency	67,620	-	67,620
Capital outlay	222,200	62,320	159,880
Debt service	<u>250,000</u>	<u>428,716</u>	<u>(178,716)</u>
TOTAL EXPENDITURES	<u>1,241,456</u>	<u>1,231,904</u>	<u>9,552</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCIAL SOURCES OVER EXPENDITURES	<u>\$ 283,154</u>	(114,184)	<u>\$ (397,338)</u>
GAAP ADJUSTMENTS			
Principal payments on debt		428,716	
Depreciation		(365,287)	
Additions to inventory		40,000	
Capital outlay		<u>62,320</u>	
CHANGE IN NET POSITION - GAAP BASIS		<u>\$ 51,565</u>	

See Independent Auditors' Report

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023

REVENUES

Property taxes -		
Contract mill levy collection		\$ 9,616,772
Operating tax revenue		363,243
Abatement and refund of tax collections		56,571
Prior year tax		(405)
Total property taxes		<u>10,036,181</u>
Specific ownership taxes		1,074,069
Fountain Valley Authority contract revenue		3,685
Winter water storage		97,978
Excess capacity contract		337,836
Charges for services -		
Enterprise administration reimbursement		<u>2,007,784</u>
Total charges for services		<u>2,007,784</u>
Investment revenue -		
Interest income		40,888
Income (loss) to fair value adjustment		725,777
Interest on bonds		<u>760,458</u>
Total investment revenue		<u>1,527,123</u>
Other -		
Sundry		<u>125,692</u>
TOTAL REVENUES		<u>15,210,348</u>

EXPENDITURES

Outside and professional services -		
Annual audit		34,766
Legal representation		201,319
Consulting/lobbying services		<u>73,700</u>
Total outside and professional services		<u>309,785</u>

See Independent Auditors' Report

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES (Cont'd.)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023

EXPENDITURES (Cont'd.)

Human resources -	
Staff payroll	\$ 1,679,033
Directors' payroll	36,000
Payroll taxes	119,376
Retirement benefits	237,212
Health benefits	260,963
Total human resources expenditures	<u>2,332,584</u>
Meeting and travel expenditures -	
Directors - meeting and travel	31,983
Executive - meeting and travel	12,178
Staff - meeting and travel	45,205
Total meeting and travel expenditures	<u>89,366</u>
Headquarter operations -	
Repairs and maintenance	89,594
Computer	65,489
Insurance	29,051
Subscriptions and fees	26,642
Office supplies	22,352
Awards & gifts	699
Communications	21,478
Postage & shipping	3,807
Utilities	16,184
Total headquarter operations expenditures	<u>275,296</u>
Water conservation and education	47,091
Collection fees	165,751
Winter water storage and excess capacity	97,978
Excess capacity contract	337,836
Fountain Valley Authority contract payments	3,685
Bureau operations, maintenance & repairs	2,618,253
Planning and development	706,693
Capital outlay - acquisition of capital assets	309,420
Debt service principal	733,786
TOTAL EXPENDITURES	<u><u>\$ 8,027,524</u></u>

SINGLE AUDIT SECTION

**SOUTHEASTERN COLORADO WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	None Reported
Significant Deficiencies Identified?	None Reported
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control over Major Programs:	
Material Weakness(es) Identified?	None Reported
Significant Deficiencies Identified?	None Reported

Type of Auditors' Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 2 CFR Section 200.516(a)? No

Identification of Major Programs

a. COVID-19 State and Local Fiscal Recovery Funds - ALN 21.027

Dollar Threshold Used to Determine Between type A and B Programs: \$ 750,000

Auditee Qualified as a Low-risk Auditee? No

2. FINANCIAL STATEMENT FINDINGS

The audit disclosed no findings required to be reported.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The audit disclosed no findings required to be reported.

4. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings were reported.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023**

Federal Grantor /Pass-Through Grantor/ Program Title or Cluster Title	Assistance Listing Number (ALN)	Pass-through Entity's Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Treasury				
Passthrough from Pueblo County, CO				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ -	\$ 988,698
Passthrough from Otero County, CO				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027		-	340,903
Passthrough from Prowers County, CO				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027		-	248,025
Passthrough from Las Animas County, CO				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027		-	191,499
Passthrough from Bent County, CO				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027		-	176,499
Passthrough from Town of Ordway, CO				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027		-	11,933
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,957,557</u>

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Southeastern Colorado Water Conservancy District (the District) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not represent the financial position, changes in net position, or cash flows of the District.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The District has elected not to use the 10 percent *de minimis* indirect cost rate allowed under Uniform Guidance.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Southeastern Colorado Water Conservancy District
Colorado Springs, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southeastern Colorado Water Conservancy District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Southeastern Colorado Water Conservancy District's major federal programs for the year ended December 31, 2023. Southeastern Colorado Water Conservancy District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southeastern Colorado Water Conservancy 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, 2023.

Basis for Opinion on Each Major Federal Program

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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Southeastern Colorado Water Conservancy District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Southeastern Colorado Water Conservancy District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Southeastern Colorado Water Conservancy District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Southeastern Colorado Water Conservancy District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Southeastern Colorado Water Conservancy District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Southeastern Colorado Water Conservancy District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Southeastern Colorado Water Conservancy District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Southeastern Colorado Water Conservancy District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 a 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE – CONTINUED

Page 3

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Erickson, Brown & Kloster, LLC

Colorado Springs, Colorado

April 4, 2024



Erickson, Brown & Kloster, LLC
Certified Public Accountants

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

Board of Directors
Southeastern Colorado Water Conservancy District
Pueblo, Colorado

We have audited, in accordance with the 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 Southeastern Colorado Water Conservancy District (District), which comprise the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2023, notes to the financial statements, which collectively comprise Southeastern Colorado Water Conservancy District's basic financial statements, and have issued our report thereon dated April 4, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeastern Colorado Water Conservancy District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeastern Colorado Water Conservancy District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southeastern Colorado Water Conservancy 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeastern Colorado Water Conservancy District's financial statements are free from 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 financial statements. 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.

Erickson, Brown & Kloster, LLC

Colorado Springs, Colorado

April 4, 2024