

**UPPER YAMPA WATER
CONSERVANCY DISTRICT**

Financial Statements
And
Supplemental Information
With
Independent Audit Report

December 31, 2023

UPPER YAMPA WATER CONSERVANCY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Upper Yampa Water Conservancy District
Steamboat Springs, Colorado

Opinion

We have audited the financial statements of the business-type activities of Upper Yampa Water Conservancy District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Upper Yampa Water Conservancy District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of Upper Yampa Water Conservancy District as of December 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Upper Yampa Water Conservancy District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Upper Yampa Water Conservancy 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 Upper Yampa Water Conservancy District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Yampa Water Conservancy District's basic financial statements. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Watson Coon Ryan, LLC

WATSON COON RYAN, LLC
CENTENNIAL, COLORADO

MAY 15, 2024

UPPER YAMPA WATER CONSERVANCY DISTRICT
Management's Discussion and Analysis
2023

The intent of the Management's Discussion and Analysis is to provide an overview and highlights of the financial and other activities of the Upper Yampa Water Conservancy District (UYWCD) for the year ended on December 31, 2023. UYWCD Board members and readers are encouraged to read this discussion and analysis in conjunction with the accompanying audited financial statements. In addition to the accompanying audit, it provides a report by the General Manager of the activities of the UYWCD in 2023.

UYWCD History and Background

The UYWCD was organized in March of 1966 for the purpose of conserving, developing, and stabilizing water supplies within its boundaries. The UYWCD encompasses Routt County and a portion of Moffatt County and is divided into three divisions: Division 1 (Hayden area), Division 2 (Steamboat Springs area), and Division 3 (Oak Creek/Yampa area). The nine members of the Board of Directors, three representing each Division, are appointed by the District Judge to serve staggered four-year terms. The UYWCD was formed on the basis that properties within the UYWCD would benefit through conservation, development, and stabilization of water supplies for agricultural, industrial, municipal, and other beneficial uses. This led to the construction of Yamcolo Reservoir (9,621 AF), located in the Flattops near the headwaters of the Yampa River, in 1980 and Stagecoach Reservoir (36,439 AF), located southeast of Steamboat Springs, in 1989. The UYWCD also owns and operates the Stillwater Ditch in partnership with the agricultural water users supplied by this ditch system. In addition to these UYWCD owned facilities, the UYWCD contracts for 360 AF of water supply out of Steamboat Lake for the purpose of operating an Umbrella Water Augmentation Plan for the Elk River.

The UYWCD's current combined infrastructure assets represent the largest source of stored water available for water users in the Yampa River Basin managed by a single entity. The Yampa River Basin is largely recognized as the river with the least amount of stored water, by percentage of natural flow, of all major river basins in the Colorado River system.

Overview of the 2023 UYWCD Operations and Economic Factors

There was an initial recovery from drought conditions in the Colorado River system in 2023, enabling a partial recovery of the two primary system reservoirs, Lake Mead and Lake Powell. The renegotiation of the operating rules for Powell and Mead Reservoirs continued in 2023. UYWCD closely followed these negotiations to monitor and plan for any potential impacts on the Yampa River Basin. The flows of the Yampa River basin provide approximately ten percent of the annual flow in the Colorado River at Lees Ferry, which serves as the delivery point for water from the Upper Colorado River Basin to the Lower Colorado River Basin. The contribution of the Yampa River to this critically important regional resource makes the caretaking of our local water resources

regionally important. A healthy and productive Yampa River is an integral part of the health of our local community and communities throughout the Colorado River Basin.

In the Yampa River Basin, the 2022/23 water year was characterized by average snowpack and very low summer precipitation. The combined effect of these hydrologic conditions resulted in below average hydro-power generation at Stagecoach Dam. Water storage deliveries from the UYWCD Reservoirs were extensive. Continued demand for water storage deliveries from the UYWCD Reservoirs continues to drive stable water storage contract revenues.

UYWCD is committed to serving our constituents through responsible water resource management that conserves, protects, and enhances the water resources of the Yampa River Basin to ensure a sustainable future for our communities. In 2023, UYWCD continued funding projects that assist water users and managers in their decision-making process and to educate community members, including future generations, on the water matters that impact our most valuable natural resource, the Yampa River.

Capital investment to UYWCD facilities included upgrades to the control house and replacement of the butterfly valve at Yamcolo dam, electronic upgrades, inverter replacement, generator and transformer testing at Stagecoach Powerhouse, wetland improvements at Stagecoach Reservoir, design, replacement and construction of a headgate at Union Ditch, general improvements to equipment at Yamcolo and Stagecoach Dams, and surveying for the structural repair project at Stillwater Ditch.

Financial activities for the 2023 year included an increase in augmentation contracts for both Yampa and Elk River Umbrella Augmentation Plans, continued funding support of community water education and water diversion infrastructure projects, and the UYWCD Yampa River Youth Festival.

Revenues

Property tax revenues from a 1.82 mill levy on the taxable property of the UYWCD generated \$2,820,289, net of \$86,853 of Treasurer Collection Fees.

Overall water sales were \$556,050, \$155,093 above the \$400,957 budgeted. This revenue variance stemmed from additional water purchases from Colorado Water Trust through an Environmental, Instream and Recreational Water storage agreement and new augmentation contracts.

Hydro-power generation produced a total revenue of \$83,016 for the year, \$109,984 below the \$193,000 budgeted. Hydro-power generation is directly influenced by the magnitude and timing of Yampa River flows into Stagecoach Reservoir. The 2022/23 water year was characterized by average snowpack and very low summer precipitation. The combined effect of these hydrologic conditions resulted in below average hydro-power generation at Stagecoach Dam. Stagecoach Dam Powerhouse maintenance needs also influence hydro-power generation.

Other revenues include those generated by the Stillwater Ditch and Reservoirs Company of \$14,173, Grazing lease revenues of \$828 and investment yields and interest income of \$1,082,800.

Pass through revenues and expenses for the *Evaluating the Observation Network and Enhancing Soil Moisture Observations to Support Decision Making in the Upper Yampa Basin*, the *Yampa River Dashboard Project*, and the *Infrastructure Improvement Projects*, were received and disbursed in 2023, resulting in an aggregate year-end net balance of \$4,946, scheduled for 2024 disbursements.

Expenditures

Operation and Maintenance expenditures, and capital improvements for Stagecoach Dam and Reservoir, Yamcolo Dam and Reservoir, and the Stillwater Ditch continue to improve the condition of UYWCD facilities consistent with current operational standards. Total Operating and Capital Expenditures for all UYWCD facilities and operations (net of depreciation) were \$2,820,194, \$783,639 below the \$3,603,833 budget.

Overview of the Financial Statements

The UYWCD's financial statements comprise of two components:

1. Stand-alone Enterprise fund financial statements,
2. Notes to the financial statements.

This report also contains other supplementary information consisting of a comparison of budget to actual non-US GAAP (U.S. Generally Accepted Accounting Principles) Budgetary basis.

Stand-alone Enterprise fund financial statements:

These financial statements are designed to provide readers with a broad overview of the UYWCD in a manner similar to a private-sector business.

- The statement of net position presents information on all the UYWCD's assets and liabilities with the difference reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the UYWCD is improving or deteriorating.
- The statement of revenues, expenses and changes in net position presents information showing how the UYWCD's net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- The statement of cash flows represents the information on the change in the UYWCD's cash balances during the year segregated into operating, investing, and financing categories.

The assets of the UYWCD exceeded its liabilities on December 31, 2023, by \$49,288,105. Of this amount, \$26,978,398 is invested in capital assets (net of related debt) and \$505,734 is restricted. While there are no legal restrictions on the unrestricted net position of \$21,803,973, in 2023 the District encumbered a net position balance equal to \$869,706 in the Capital Maintenance Reserve, \$5,184,940 in the Emergency Facilities Reserve, and \$15,544,484 to ensure adequate net position is available to address future debt payments and the development of capital projects.

Statement of Net Position

	2023	2022
<u>Assets:</u>		
Current and Other Assets	\$26,293,647	\$23,336,698
Net Capital Assets	27,183,241	26,596,826
Total Assets	<u>53,476,888</u>	<u>49,933,524</u>
<u>Liabilities:</u>		
Current liabilities	267,023	281,432
Deferred Inflows	3,921,761	2,697,307
Total liabilities	<u>4,188,784</u>	<u>2,978,739</u>
<u>Net position:</u>		
Invested in capital,		
Net Investment in Capital Assets	26,978,398*	26,515,305
Restricted Net Position	505,734	486,734
Unrestricted♦	21,803,973**	19,952,746
Total net position	<u>\$49,288,105</u>	<u>\$46,954,785</u>

♦ Encumbered funds, including Emergency Facilities Reserve, Capital Maintenance Reserve and Capital Projects Development Fund.

* With capital assets payable of \$204,844, \$27,183,242.

** Net of capital assets payable of \$204,844, \$21,599,129.

2023 Fund Closing Balance including Encumbered Funds	\$22,104,864
Encumbered Funds	\$6,560,380
Emergency Facilities Reserve	5,184,940
Capital Maintenance Reserve	869,706
Stagecoach Wetlands Mitigation Reserve	419,734
Tabor Reserve	86,000
Capital Projects Development Fund	\$15,544,484

Statement of Revenues, Expenses, and Changes in Fund Net Position

	2023	2022
Revenues		
Operating Revenues	\$659,063	\$610,292
Other Income (Expense)	3,908,035	3,164,752
Total Revenues	4,567,098	3,775,044
Expenses		
Operating Expenses	2,233,778	2,102,819
Change in Net Position	2,333,320	1,672,225
Net Position - Beginning	46,954,785	45,282,560
Net Position - Ending	\$49,288,105	\$46,954,785

Capital Assets

	Balance 12/31/22	Additions	Deletions	Balance 12/31/23
Capital assets not being depreciated:				
Stagecoach				
Land and water rights	\$ 5,259,775	-	-	\$ 5,259,775
Dam Structure	9,080,877	-	-	9,080,877
Amenities	3,929,108	40,791	-	3,969,899
Yamcolo:				
Dam Structure	5,998,642	-	-	5,998,642
Stillwater Ditch:	530,653			530,653
Elk River Augmentation	10,000			10,000
Total capital assets not being depreciated	24,809,055	40,791	-	24,849,846
Capital assets being depreciated:				
Stagecoach				
Dam structure and equipment	3,519,242	104,967	-	3,624,209
Amenities	1,391,886	196,410	-	1,588,296
Yamcolo				
Dam structure and equipment	1,002,589	322,998	-	1,325,587
Stillwater Ditch	182,597	23,205	-	205,802
Equipment, vehicles and other	171,067	27,335	-	198,402
Total capital assets being depreciated	31,076,436	715,706	-	31,792,142
Less: Accumulated depreciation	(4,479,610)	(129,290)	-	(4,608,900)
Net Capital Assets	\$ 26,596,826	\$ 586,416	\$ -	\$ 27,183,242

Budgetary Comparison

The UYWCD budgets for expenses on a non-GAAP basis whereby expenses include debt principal payments and capital outlay and exclude non-cash expenses of depreciation and amortization. In 2023 there were three revenue budgetary differences. Water sales revenues were higher than budgeted due to new water storage contracts and additional water purchased through existing agreements based on availability and current water-year conditions. Power sales were below budget and interest revenues were above budget, resulting from current year hydrologic and economic conditions, respectively.

Capital project expenditures were all within budgeted amounts.
Budgetary changes have not adversely affected the financial stability of the UYWCD.

The variations between the budgeted income and expenses enumerated above will have no deleterious effect on the liquidity of the UYWCD or its future obligations and services.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Net Position
December 31, 2023

Assets:

Current assets:	
Cash and investments	\$ 22,023,894
Accounts receivable	32,731
Property taxes receivable	3,921,761
Certificates of deposit	250,000
Prepaid expenses	65,261
	<hr/>
Total current assets	26,293,647
Noncurrent assets:	
Capital assets, net of accumulated depreciation	27,183,242
	<hr/>
Total assets	\$ 53,476,889

Liabilities:

Current liabilities:	
Accounts payable	239,452
Accrued expenses payable	27,571
	<hr/>
Total current liabilities	267,023

Deferred inflows of resources:

Deferred property tax revenues	3,921,761
	<hr/>

Net position:

Net investment in capital assets	26,978,398
Restricted for:	
Wetlands mitigation	419,734
Emergencies	86,000
Unrestricted	21,803,973
	<hr/>
Total net position	\$ 49,288,105

The accompanying notes are an integral part of this financial statement.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenses, and Change in Net Position
For the year ended December 31, 2023

Operating Revenues:	
Water sales	\$ 556,050
Power revenues	83,016
Other income	19,997
Total operating revenues	<u>659,063</u>
Operating Expenses:	
Facilities:	
Stagecoach reservoir	649,157
Yamcolo reservoir	184,064
Stillwater ditch and reservoir	86,552
Elk River augmentation plan	2,107
Administration	357,220
Board of directors	85,752
External affairs	124,822
Finance	127,752
Legal	139,400
Planning	250,728
Grants, scholarships and public information	226,224
Total operating expenses	<u>2,233,778</u>
Operating loss	<u>(1,574,715)</u>
Non-Operating Revenues and (Expenses):	
Property taxes, net of collection fees	2,820,289
Pass-through income	45,551
Pass-through expense	(40,605)
Interest income	1,082,800
Net non-operating revenues	<u>3,908,035</u>
Change in net position	2,333,320
Net position, beginning of year	<u>46,954,785</u>
Net position, end of year	<u>\$ 49,288,105</u>

The accompanying notes are an integral part of this financial statement.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Cash Flows
For the year ended December 31, 2023

Cash Flows From Operating Activities:	
Cash received from customers	\$ 678,785
Cash payments to suppliers of goods or services	(2,149,581)
	<u>(1,470,796)</u>
Net cash used by operating activities	
Cash Flows From Non-Capital Financing Activities:	
Property taxes, net of collection fees	2,820,289
Cash received from pass-through grantor	45,551
Cash payments to pass-through suppliers of goods or services	(40,605)
	<u>2,825,235</u>
Net cash provided by non-capital financing activities	
Cash Flows From Capital Financing Activities:	
Purchase of capital assets	(715,706)
	<u>(715,706)</u>
Net cash used by capital financing activities	
Cash Flows From Investing Activities:	
Redemption of certificates of deposit	943,036
Purchase of certificates of deposit	(250,000)
Interest received	1,082,800
	<u>1,775,836</u>
Net cash provided by investing activities	
Net change in cash and cash equivalents	
	2,414,569
Cash and cash equivalents, beginning of year	
	<u>19,609,325</u>
Cash and cash equivalents, end of year	
	<u>\$ 22,023,894</u>
Reconciliation of Operating Loss to Net Cash	
Provided by Activities:	
Operating loss	\$ (1,574,715)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Depreciation	129,290
Decrease (increase) in:	
Accounts receivable	19,722
Prepaid expenses	(30,684)
(Decrease) increase in:	
Accounts payable	(29,531)
Accrued expenses payable	15,122
	<u>15,122</u>
Net cash used by operating activities	
	<u>\$ (1,470,796)</u>

The accompanying notes are an integral part of this financial statement.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 1: Summary of Significant Accounting Policies

The Upper Yampa Water Conservancy District (UYWCD) was formed to provide legal authority to plan and construct water conservation projects in the Yampa Valley of northwest Colorado.

UYWCD's financial statements were prepared in accordance with U.S. generally accepted accounting principles for governmental entities (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of UYWCD is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

UYWCD applies the criteria set forth in GASB Codification Section 2100: Defining the Financial Reporting Entity, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents, and the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units.

The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to: fiscal dependency, imposition of will, legal standing, and the primary recipient of services. Based on these criteria, UYWCD has no includable component units. UYWCD is also not included in the financial statements of any other entity.

Basic Financial Statements

As a special purpose government, basic financial statements are presented at the activity level. Activity level financial statements focus on the sustainability of UYWCD as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position, the Statement of Change in Fund Net Position, and the Statement of Cash Flows.

As a special purpose government, UYWCD has only one fund, an enterprise/proprietary fund which is also considered its business type activity. UYWCD does not present any other fund or activity information.

Measurement Focus and Basis of Accounting

UYWCD operates as an enterprise and the accompanying proprietary fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, this fund is maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Assets, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, UYWCD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. UYWCD's investment in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+ fund is measured at net asset value, equal to \$1.00 per share.

Certificates of Deposit

UYWCD holds money in nonnegotiable certificates of deposit that are valued at amortized cost. Maturities range from February to June 2024. Interest rates range from 3.0% - 5.11%.

Accounts Receivable

Amounts due to UYWCD from water storage and power sales are reported as accounts receivable. UYWCD's management reviews accounts receivable periodically to consider the collectability of the balances. District management believes all accounts receivable to be fully collectible as of December 31, 2023. Therefore, no allowance for uncollectible accounts has been established.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets include land, reservoir and dam structures, hydro-electric plant, buildings and improvements, furniture and fixtures and equipment. Capital assets are defined by UYWCD as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	30 - 40
Furniture, fixtures and equipment	5 - 20

Non-depreciable capital assets of UYWCD include its land, land improvements, reservoirs, and dams.

Leases and Subscription-Based IT Arrangements

Under GASB 87 and 96, UYWCD recognizes short-term lease payments as outflows of resources based on the payment provisions of the lease contract.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. UYWCD's deferred inflows of resources consist solely of unavailable revenues from property taxes.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Net Position

Net position is classified as net position and may be displayed in three components:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets." This net position is available for future operations or distributions.

For presentation purposes when both restricted and unrestricted resources are available for use, it is UYWCD's practice to use restricted resources first, then unrestricted resources as they are needed.

While the unrestricted net position does not have any legal constraints on its use, the accumulation of these amounts may be necessary to offset significant unforeseen capital repairs and for the development of capital projects that may be necessary in future years. These amounts do not meet the accounting definition to be considered restricted, but UYWCD believes this balance is necessary to ensure adequate reserves are available when the need does arise.

Operating and Non-Operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of UYWCD. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer and Moffat County Treasurer collect property taxes and remit collections to UYWCD on a monthly basis.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

GASB Statement No 96 - In May 2020, GASB issued statement No 96, SBITA (Subscription-Based Information Technology Arrangements). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

information technology arrangements by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities for arrangements that previously were classified as intangible operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that subscription leases are financings of the right to use an underlying asset. The provisions in statement 96 are effective for reporting periods beginning after June 15, 2022. UYWCD implemented GASB Statement No. 96, SBITA, in the year ending December 31, 2023. No significant leases were identified, and as such, no changes have been made to the financial statements as a result of implementing this standard.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures.

UYWCD conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, UYWCD's Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

During the year the Board may authorize supplemental appropriations, if necessary. There was no budget amendments for the year ended December 31, 2023.

Compliance

UYWCD did not have expenditures in excess of appropriations for the year ended December 31, 2023.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill

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levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. UYWCD has reserved \$83,000 of the December 31, 2023 fund net position for this purpose.

Management believes that UYWCD qualifies as an enterprise as defined by TABOR. Therefore, the provisions of TABOR are not applicable to UYWCD.

In November 1999, voters passed a referendum that permanently lifted TABOR restrictions on the amount of revenue UYWCD can collect and expend.

UYWCD's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Note 3: Detailed Notes on the Fund

Cash and cash equivalents

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act (PDPA) in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, repay the public deposits to the depositing government. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Colorado Revised Statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

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COLOTRUST (Colorado Local Government Liquid Asset Trust) is a local government investment vehicles that qualifies as 2a7-like investment pools, where the value of each share is maintained at \$1.00.

As of December 31, 2023, all of UYWCD’s deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

Cash and investments as of December 31, 2023, consist of the following:

Deposits with financial institutions	\$ 1,325,138
Investments	20,698,756
Total cash and investments	<u>\$ 22,023,894</u>

Bank balances as of December 31, 2023 totaled \$22,034,048.

Investments

Credit risk

UYWCD follows Colorado Revised Statutes regarding its investments. Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which UYWCD may invest which include local government investment pools.

Investment Valuation

UYWCD 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.

<u>Investments:</u>	<u>Fair Value</u>
COLOTRUST (at NAV)	\$ 20,698,756

Custodial and concentration of credit risk

At December 31, 2023, UYWCD had \$20,698,756 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by COLOTRUST.

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local state sponsored investment pools. UYWCD invests in one such pool, the Colorado Local Government Liquid Asset Trust

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(COLOTRUST) which is rated AAA by Standards and Poor's. This investment is not categorized because the investment is not evidenced by securities that exist in physical or book entry form. UYWCD also invests excess undesignated cash reserves into certificates of deposit.

Interest rate risk

UYWCD has a formal investment policy that limits investment maturities to five years from the purchase date as a means of managing its exposure to fair value losses arising from increasing interest rates.

Capital Assets

Capital asset activity for the year ended December 31, 2023 is summarized below:

	January 1, 2023			December 31, 2023
	Balance	Additions	Deletions	Balance
Capital assets not being depreciated:				
Stagecoach				
Land and water rights	\$ 5,259,775	\$ -	\$ -	\$ 5,259,775
Dam Structure	9,080,877	-	-	9,080,877
Amenities	3,929,108	40,791	-	3,969,899
Yamcolo				
Dam Structure	5,998,642	-	-	5,998,642
Stillwater Ditch	530,653	-	-	530,653
Elk River Augmentation	10,000	-	-	10,000
Total capital assets not being depreciated:	24,809,055	40,791	-	24,849,846
Capital assets being depreciated:				
Stagecoach				
Dam structure and equipment	3,519,242	104,967	-	3,624,209
Amenities	1,391,886	196,410	-	1,588,296
Yamcolo				
Dam structure and equipment	1,002,589	322,998	-	1,325,587
Stillwater equipment	182,597	23,205	-	205,802
Equipment, vehicles and other	171,067	27,335	-	198,402
Total capital assets	31,076,436	715,706	-	31,792,142
Less: accumulated depreciation	(4,479,610)	(129,290)	-	(4,608,900)
Net capital assets	\$26,596,826	\$ 586,416	\$ -	\$27,183,242

Stillwater Ditch Agreement

UYWCD has entered into an Assignment of Stock and Water Delivery Agreement with the shareholders of the Stillwater Ditch and Reservoirs Company (the Company) whereby the shareholders assigned and transferred all shares in the Company to UYWCD in exchange for UYWCD's continued maintenance and repair of the Stillwater Ditch and delivery of water to the shareholders under certain absolute water rights retained by the shareholders.

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Restricted Net Position

The United States Army Corps of Engineers (ACOE) issued a permit to UYWCD to raise the height of Stagecoach Reservoir Dam four feet inundating approximately 23.51 acres of jurisdictional wetlands. The permit requires UYWCD to post financial assurances to ensure a high level of confidence that UYWCD will complete the compensatory mitigation required by the permit. UYWCD has appropriated \$419,734 for this purpose as of December 31, 2023. The legislative appropriation will terminate when the compensatory mitigation is completed and accepted by the ACOE.

Note 4: Other Information

Defined Contribution Plan

Certain full-time employees are covered under a 401(a) defined contribution pension plan. Under the terms of the plan, UYWCD contributes at a rate of double the employee's retirement contribution not to exceed 6% of gross pay. Participants become fully vested within 3 years of participation in the plan. The plan can only be amended by UYWCD's board of directors. District contributions to the plan were \$51,465 for the year ended December 31, 2023.

Commitments and Contingencies

State of Colorado

UYWCD has entered into an agreement with the State of Colorado Department of Natural Resources, Division of Parks and Outdoor Recreation for the operation of the recreational facilities at Stagecoach Reservoir. Under the terms of the agreement UYWCD has agreed to make an annual payment to the State each December 31st through May 1, 2024. In exchange for the State managing the recreation areas and completing improvements and replacement of existing recreation facilities pursuant to the Master Plan, UYWCD will annually provide the lesser of \$35,000 or the amount of State funded improvements plus \$10,000 in the form of an operating subsidy to the State. The State is allowed to carryover excess improvement costs annually to meet subsequent years' obligations. The maximum amount that UYWCD is liable for in operating subsidies is \$700,000 over the twenty-year period. . During 2023, a new lease was signed with a contract period from May 1, 2024 to May 1, 2044 and changing the required payments and maximum amount UYWCD would be liable for over the term of the lease.

Power Purchase Agreement

UYWCD entered into an agreement on October 30, 2015 to sell exclusively the hydroelectric energy generated by its Stagecoach facility to YVEA. The initial term is through December 31, 2025 and may be extended by either party for an additional 10 year period. The initial sales price is \$0.060 per kWh and is subject to annual adjustment beginning January 1, 2017. The sales price during the year ended December 31, 2023 was \$0.06 per kWh.

Reservoir Agreements

Numerous governments, organizations and individuals have reservoir agreements with UYWCD to purchase water in storage annually from UYWCD. The agreement terms range from 1 to 40 years with the majority of contracts expiring between the years 2024 and 2063.

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Risk Management

UYWCD is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. UYWCD maintains commercial insurance for these risks by participation in an insurance pool.

UYWCD is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. UYWCD has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Contingencies

UYWCD is involved in several items of pending litigation primarily involving defense of its water rights and opposition of applications for water rights that conflict with those of UYWCD. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on UYWCD's financial position, cash flows, or results of operations.

Subsequent Events

UYWCD has evaluated subsequent events through the report date, which is the date these financial statements were available to be issued.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
For the year ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
Operating Revenues:			
Water sales	\$ 400,957	\$ 556,050	\$ 155,093
Power revenues	193,000	83,016	(109,984)
Other income	9,514	19,997	10,483
Total revenues	<u>603,471</u>	<u>659,063</u>	<u>55,592</u>
Operating Expenditures:			
Facilities:			
Stagecoach reservoir	652,573	574,707	77,866
Yamcolo reservoir	166,549	139,080	27,469
Stillwater ditch and reservoir	76,640	80,322	(3,682)
Elk River augmentation plan	2,128	2,107	21
Administration	376,595	353,594	23,001
Board of directors	106,461	85,752	20,709
External affairs	141,277	124,822	16,455
Finance	154,488	127,752	26,736
Legal	160,114	139,400	20,714
Planning	337,133	250,728	86,405
Grants, scholarships and public information	409,875	226,224	183,651
Capital outlay	1,020,000	715,706	304,294
Total expenditures	<u>3,603,833</u>	<u>2,820,194</u>	<u>783,639</u>
Operating Income (Loss)	(3,000,362)	(2,161,131)	839,231
Other Income (Expense)			
Tax revenue, net of treasurer fee	2,616,388	2,820,289	203,901
Pass-through income	--	45,551	45,551
Pass-through expense	--	(40,605)	(40,605)
Investment earnings	505,927	1,082,800	576,873
Change in net position - non-US GAAP basis	<u>121,953</u>	<u>1,746,904</u>	<u>1,624,951</u>
Adjustments to US GAAP basis:			
Capital outlay	--	715,706	
Depreciation expense	--	(129,290)	
Change in net position - US GAAP basis	<u>121,953</u>	<u>2,333,320</u>	
Net position, beginning of year	<u>46,954,785</u>	<u>46,954,785</u>	
Net position, end of year	<u>\$ 47,076,738</u>	<u>\$ 49,288,105</u>	

The accompanying notes are an integral part of this financial statement.