

FEASIBILITY STUDY ANACONDA DITCH WATER RIGHT ACQUISITION

Prepared for:

San Luis Valley Water Conservancy District
Water Activity Enterprise
Colorado Water Conservation Board Loan Application

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NOTE: This study presents conservative information regarding water rights quantifications for the purpose of determining the feasibility of purchasing certain water rights. The water right quantifications contained in this study are not appropriated nor were they prepared to support or be used as evidence in any water rights change case.

E01905



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1.0 BACKGROUND

1.1 Purpose

The purpose of this feasibility study is to provide information demonstrating the San Luis Valley Water Conservancy District's (District) need for a loan and its ability to repay such a loan. The loan will be used to purchase additional water rights through its Water Activity Enterprise for inclusion in its Water Augmentation Program (Augmentation Program), which the District operates within a portion of the San Luis Valley and the upper Rio Grande Basin in Colorado.

The District was organized pursuant to the Water Conservancy Act, Colorado Revised Statutes § 37-45-101, on November 14, 1949 by District Court in Alamosa. The District originally included the cities of Alamosa, Monte Vista, Del Norte, Center and Hooper as well as a patchwork of farm and ranch land that had petitioned into the new District. The District's initial purpose was to construct a reservoir on the Rio Grande, and the preferred site was at Wagon Wheel Gap. The reservoir was never built. Because of disagreements concerning the location of a new reservoir and other problems, the District languished until the 1980's. In January 1984, the District's Board of Directors decided to expand the boundaries and focus on establishing a central Augmentation Program for development within the Upper Rio Grande Basin. In 1984 the District obtained Water Court approval of a plan for augmentation in Case No. 84CW16. Since approval of the first case, augmentation water has been added to the Augmentation Program through subsequent Case Nos. 94CW62, 03CW4, 05CW13 and 07CW63, and pending Case No. 09CW34.

After 1984, in addition to operating its Augmentation Program, the District has sponsored several studies funded largely by grants from the Colorado Water Conservation Board (CWCB). These studies include the Rio Grande Water Supply Study (Potential Reservoir Sites), San Luis Valley Confined Aquifer Study, Groundwater Recharge and Management Study and Rio Grande Headwaters Restoration Study. Work on the Rio Grande Restoration Project continues with landowner cost sharing and funding through Federal and State (Water Supply Reserve Account) grant programs and from local government and private entities.

After enactment in 1993 of the Water Activities – Enterprise Status Act, §§ 37-45.1-101 *et seq.*, the District established such an Enterprise to facilitate the acquisition of augmentation water for its Augmentation Program and to fulfill the purposes of the Act as set forth in §37-45.1-101 (1). As is discussed in more detail below, revenue to the District consists of a current ad valorem tax of 0.483 mils and income from augmentation water sales and maintenance fees.

1.2 Service Area Description

The District's boundaries were expanded in 1984, by the District Court, and originally include all the potential water augmentation service area in portions of Rio Grande, Alamosa, and Saguache Counties. The actual service area is limited to the geographic

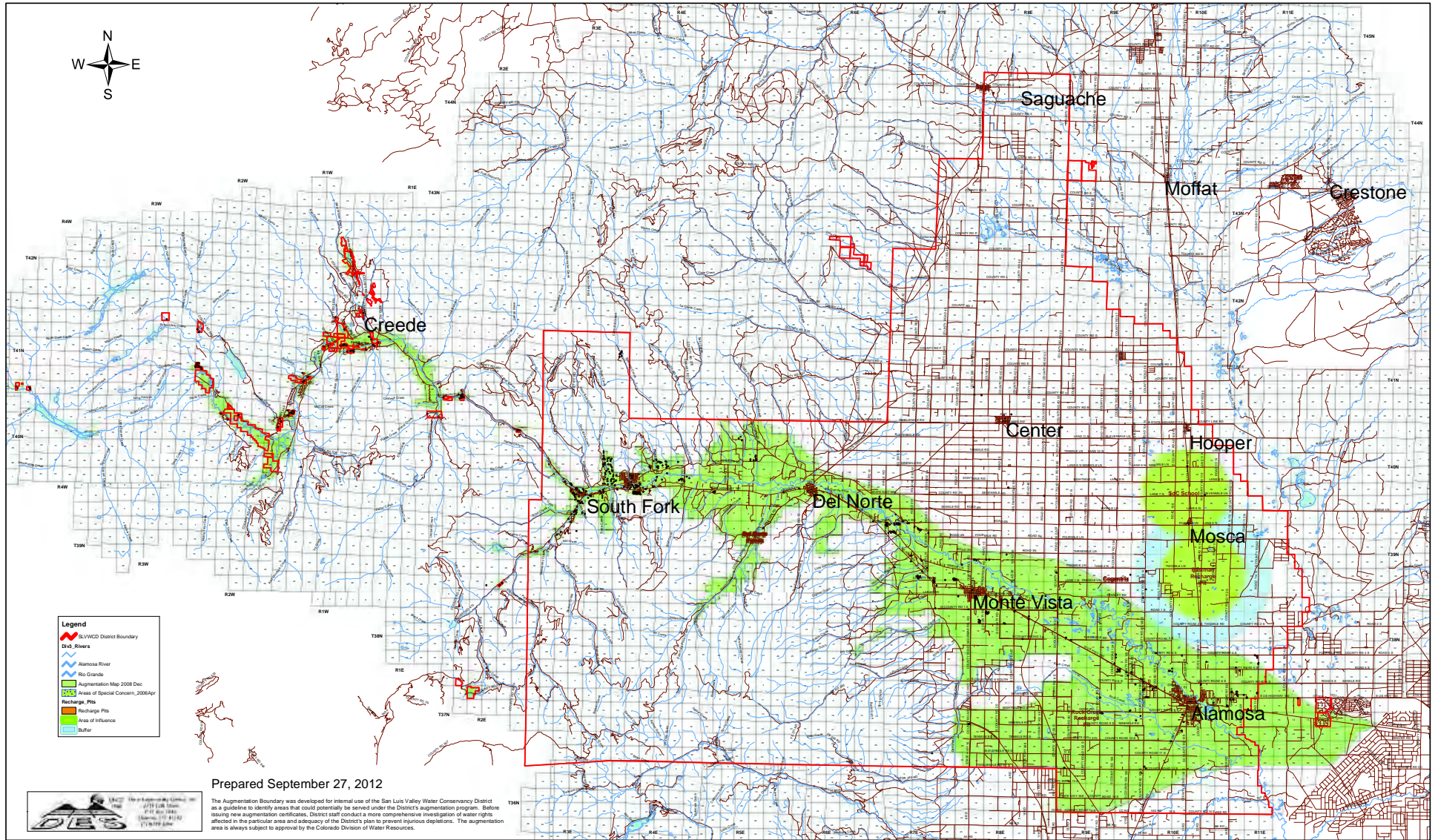
area where depletions to senior water rights from augmented wells and ponds can be replaced by the District's Augmentation Program. Further, the District has accepted land inclusions through Court approved petitions outside of its original boundary in areas that its Augmentation Program can replace depletions. These land inclusions have been primarily within Mineral County near the Rio Grande. The currently defined augmentation service area and the District's original boundary are shown on a map included as Figure 1-1.

While the District augments wells throughout its service area, in recent years the largest numbers of wells augmented by the District are within several new subdivisions near the Rio Grande upstream of the Town of Del Norte. These residential and commercial water users are primarily made up of retirement communities whose water demands are highest during the summer. Despite the fact that the greatest concentration of population in the San Luis Valley is below Del Norte, primarily in and near the City of Alamosa, towns and cities, with the exception of the Town of Center, have not purchased augmentation water from the District because their larger water demands can be met more economically if they acquire water rights independently. Table 1-1 presents per capita income and population trends of counties included in the District's service area.

Table 1-1
Demographics of Service Area

County	Per Capita Income 2011	2011 Estimated Population	2010 Population	2000 Population	1990 Population
Alamosa	\$20,429	15,710	15,445	14,966	13,617
Mineral	\$50,502	708	712	831	558
Rio Grande	\$18,762	11,956	11,982	12,413	10,770
Saguache	\$20,194	6,228	6,108	5,917	4,619

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT **Figure 1-1 Augmentation Boundary Map**



2.0 WATER AUGMENTATION PLAN

2.1 General Description

The District's Augmentation Program was developed to replace stream and river depletions resulting from withdrawal of groundwater through out-of-priority wells serving primarily residential and commercial uses. Rio Grande and transmountain surface water rights have been acquired by the District to replace these depletions. To replace depletions at the time and place that they occur, up-stream water storage rights have been obtained through agreements in Rio Grande, Santa Maria and Continental Reservoirs. Through the use of reservoir releases and river diversion rights, the District replaces depletions resulting from wells included in its Augmentation Program.

2.2 Water Availability

As previously mentioned, the District's Augmentation Program consists of several augmentation plans approved by the Water Court. The three augmentation plans utilizing water native to the Rio Grande Basin, Case Nos. 03CW41, 05CW13 and 07CW63, and a pending Case No. 09CW34 which involves the Anaconda Ditch water rights which are the subject of this proposal. Each is based upon water measured in acre-feet of consumptive use water available annually. The two augmentation plans utilizing transmountain water delivered through the Pine River Weminuche Ditch are based upon the amount of water diverted and delivered to Rio Grande Basin, and are not limited by the historical consumptive use of that water in the Rio Grande Basin. Moreover, diversions through the Pine River Weminuche Ditch, whether for the District's augmentation plans or the irrigation of lands in Water Division No. 3, are limited only by priority and water availability at the headgate.

Table 2-1 includes a tabulation showing estimated yields of the various decrees and estimated annual total. The tabulation is provided solely for the purpose of this financial analysis and is not and does not purport to be an analysis of the water available to the District, particularly with respect to its transmountain water rights.

Table 2-1
Estimated Water Yield of District Augmentation Decrees

Decree Case No.	Minimum Water Availability (Acre-feet/ year)	Maximum Water Availability (Acre-feet/year)	Water Availability at 95% Confidence (Acre-feet/year)
84CW16	0	275*	106
94CW62	0	275*	106
03CW41	50**	93.4	±73
05CW13	66.11	92.94	80
07CW63	0	25.24	±21
Total	116.11	761.58	386

* The maximums presented here for the decrees in Case Nos. 84CW16 and 94CW62 represent the District's one-half ($\frac{1}{2}$) share (one-quarter ($\frac{1}{4}$) to each decree) of the maximum amounts diverted through the Pine River Weminuche Ditch in the past 10 years. Those amounts do not represent the maximum that is available to the Ditch under its decrees, the District's decrees or the Ditch's priority.

** If Rio Grande flows through the Del Norte gauging station are less than 200,000 acre-feet for April through September, water availability will be reduced to water in priority from rights included in decree.

2.3 Water Demand

The State Engineer Office has indicated that it will promulgate rules and regulations on all wells within the Rio Grande Basin in 2013. The rules and regulations are likely to require all non-exempt wells to replace their depletions to senior surface water rights. Most irrigation well owners are working together to develop plans for replacement of injurious depletions through the recently created Subdistrict No. 1, which operates under the auspices of the Rio Grande Water Conservation District. Wells supplying municipal and commercial uses are not likely to be included in the Subdistrict. Those uses include near term existing water augmentation needs to replace depletions caused by well pumping in small towns and at potato storage facilities.

It is difficult to estimate the extent of the augmentation water needed to meet these existing municipal and commercial needs, but it is almost certain to be significant. For example, the Town of South Fork has contacted the District to discuss its potential augmentation need in the range of 10 to 50 acre-feet per year. Numerous potato storage facilities are operating using wells that require augmentation. Representatives of these well users have requested assistance from the District. Estimates of water augmentation needs for this group of users are in the range of 200 to 300 acre-feet per year. Finally, despite recent slow growth, the District expects a slow increase in the demand for augmentation of residential wells.

Total augmentation water sold through year 2012 is approximately 366 acre-feet per year. Currently the District has a total firm yield water supply of approximately 386 acre-feet per year. As depicted in Table 2-1, the District currently has only an additional 20 acre-annually available in its Augmentation Program.

A chart showing acre-feet of water sold per year by the District from its Augmentation Program is included as Figure 2-1. The chart shows significant peaks in water sales which correspond to demands from large new developments. However, during the last ± 7 years, sales have declined due to the economy.

To control the water demand and prevent exhausting its remaining available water on a large development, the District has adopted an interim policy for large potential water users. Those seeking augmentation water in amounts exceeding three (3) acre-feet must provide water rights with consumptive use that meets the development's needs as well as

providing the District with additional water for its inventory. In exchange, the District undertakes any required administrative and judicial approvals required for use of the water in its Augmentation Program, and operates, manages and administers the augmentation of the development's water supply.

Due to the difficulty developers and the District have had in finding water rights to purchase, this policy has delayed or stopped several significant proposed developments within the Upper Rio Grande Basin. During these last ± 7 years augmentation water sales have averaged ± 6 acre-feet per year. As will be noted in subsequent sections of the report, projected water sales have been estimated at five (5) acre-feet per year.

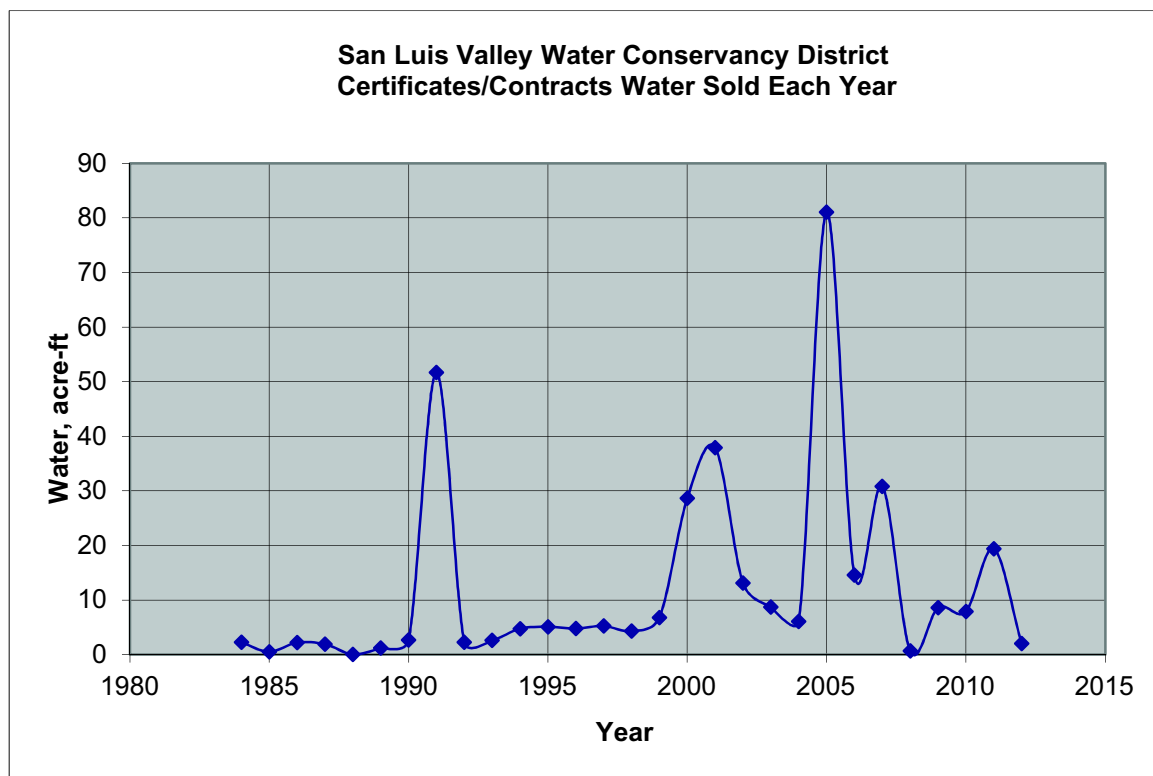


Figure 2-1
Chart Showing Augmentation Water Sales

3.0 PROJECT DESCRIPTION

3.1 Analysis of Alternatives

3.1.1 Alternatives

As shown above, despite the recent slow-down in growth, the District's augmentation obligations are nearly equal to the estimated firm annual yield of its augmentation supply. Therefore, the District continues, as it has for the past 15 years, to acquire additional water rights for inclusion in its Augmentation Program. Multiple water rights have been investigated. In 2008, the District purchased an additional one-third interest in the Pine

River Weminuche Pass Ditch with funds borrowed from CWCB. That interest totals 6.0 cfs, which is expected to yield ± 141 acre-feet per year of augmentation water. Preparation and filing a change case with Water Court is planned in the near future.

As discussed in more detail below, the District also entered an agreement to acquire a 58% interest in the Anaconda Ditch water rights. This transaction involved a large developer who made the Anaconda Ditch surface irrigation water rights available to the District in exchange for the District providing the developer with sufficient augmentation water to meet the development's water supply needs. Once the irrigation water rights are changed for use in the District's Augmentation Program, the District receives at no cost, sufficient water to meet the developments demands with additional water for inclusion in the District's Augmentation Program. The excess water will be purchased by the District with funds that are subject of this proposal. Finally, the District is negotiating for the purchase of additional water rights in the Roban and Little Anna Ditches. Portions of the Roban and Little Anna Ditches irrigate land adjacent to Pinos Creek located approximately 5 miles southwest of the Town of Del Norte. Based on the engineering study, this purchase will yield an average of ± 162 acre-feet per year.

3.1.2 Selected Alternative And Proposed Project

3.1.2.1 General Description

After reviewing its various alternatives, the District has determined that the most prudent course of action is to purchase the excess Anaconda Ditch water rights with funds borrowed from the CWCB, and requests a 90% loan of \$830,700 to purchase the excess available Anaconda water. The District will utilize its available cash to purchase the Roban Ditch and Little Anna Ditch water rights. The history of the Anaconda Ditch water rights and the District's acquisition of those rights are described below.

The Anaconda Ditch¹ diverts from the north side of the Rio Grande approximately 3 miles east of the Town of South Fork and historically irrigated lands on the Hanna Ranch. Originally, Tom Smith, a mid-west investor, purchased the ranch owned by the Hanna family. The ranch consisted of $\pm 1,935$ acres with family ownership extending back to before 1900. The focus of the ranch was raising cattle and the irrigation water from the Anaconda Ditch and a few other rights were used to irrigate native hay meadows, grain and alfalfa. In approximately 2005 River Island Ranch, Inc. (RIR), a development company formed and financed by Land Properties, Inc. of Colorado Springs purchased the ranch from Tom Smith. A map showing the ranch property and location of the Anaconda Ditch is included in Figure 3-1.

RIR initiated plans for subdividing portions of the ranch. To provide water for the development, HRS Water Consultants, Inc. (HRS) was retained to develop an augmentation plan that would allow property owners to construct individual water supply wells and in the more densely divided areas, construct municipal wells. In approximately

¹ The District's description of the Anaconda Ditch water rights, the use and quantification of those water rights is only for the purpose of evaluating this application for funding.

2006, the District began negotiations with RIR, pursuant to its policy discussed above, to acquire sufficient water from RIR to provide augmentation water for the proposed wells in the development and to purchase the excess augmentation water identified in the HRS' engineering study. An agreement was reached, but not long after, RIR began experiencing financial difficulty due to the down turn in the real estate market. Eventually, Tom Smith foreclosed on the RIR property. The District then initiated negotiations with Tom Smith to assure its ability to meet the augmentation needs of the development, particularly those who had purchased individual lots. These negotiations have been successful and the District has agreed that it will receive 46.92 acre-feet of consumptive use water derived from the Anaconda Ditch water rights for inclusion in its Augmentation Program. Of that amount, the District will allocate 21.27 acre-feet for augmentation of the currently platted development on the ranch. The remaining 25.65 acre-feet becomes part of the District's Augmentation Program inventory for its future use. After the District completes the change of the Anaconda Ditch water rights for use in its Augmentation Program, it will purchase the remaining water.

HRS estimates that an average of ± 308 acre-feet of augmentation water will be available annually from the Anaconda Ditch water rights. Of that amount ± 48 acre-feet have been conveyed to the District, leaving approximately 260 acre-feet to be purchased by the District. Pursuant to its agreement with Tom Smith, the current purchase price is \$3,550 per acre-foot of average annual consumptive use, for a total of \$923,000. The actual annual yield of the Anaconda Ditch water rights, and the total cost of those rights will be determined in the Change Case.

3.1.2.2 Description and Yield of Water Rights

The yield of the Anaconda Ditch water rights is generally described above. A thorough description and yield of the Anaconda water rights is presented in a report "Historical Consumptive Use Analysis and Augmentation Plan Operations Report for the Anaconda Ditch Water Rights Used on the River Island Ranch" prepared by HRS, August 2010 a copy of which will be provided upon request.

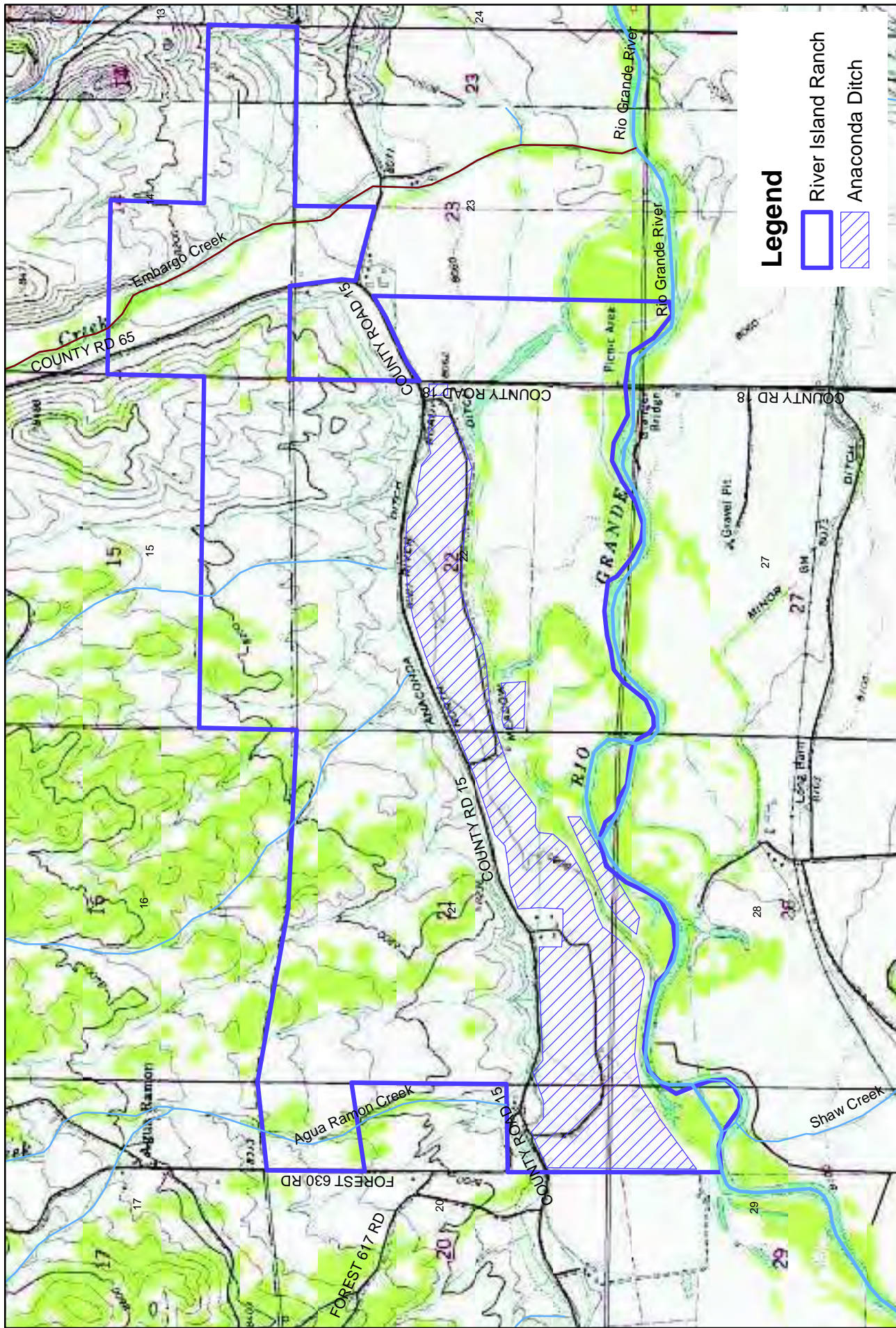


Figure 3-1
Hana Ranch/River Island Ranch
 Located in T.40N., R.4E., N.M.P.M.



4.0 FINANCIAL FEASIBILITY

4.1 Loan Amount

The purchase price for a 58% interest in the Anaconda Ditch water rights is \$923,000. Estimated legal and engineering cost associated with acquiring the water rights and completing a Water Court change case to permit use of the water in the District's augmentation plan is \$12,000. Therefore, total estimated costs are \$935,000. Based on the District's financial resources, it requests a loan of 90% of the water cost (\$923,000) or \$830,700. The requested loan repayment terms are annual payments calculated at an interest rate of 2½% per year for 30 years.

4.2 Financing Sources

The proposed source of funding for the purchase of Anaconda Ditch water rights is a loan of \$830,700 from the Colorado Water Conservation Board (CWCB). The total cost of the water rights is \$923,000. A local match of 10% of the purchase price or \$92,300 will be provided by the District from their funds. A review of the District's audits and balance sheet contained in Appendix D shows a significant unrestricted cash balance. A portion of this unrestricted cash balance will be used to purchase the Sawyer water as previously described. The District's reserve account, which is funded by its Annual Fees, is currently meeting its ongoing costs without using the reserve.

Further, the Board of the District has made a very conscious effort to develop and maintain a reserve for the District to be available in the event of a catastrophic failure of the Pine River / Weminuche ditch.

4.3 Revenue and Expenditure Projections

A spreadsheet showing Revenue and expenditures of the District for the past seven years and projected changes resulting from inclusion of the proposed water rights purchase is included in Table 4-1. The table includes a Financial Analysis section including years 2006 to 2014. Years 2006 through 2012 reflect actual financial results. Years 2013 and 2014 represent financial projections based on historical data and anticipated changes during those two years.. This time period should be sufficient for the Water Court change of use applications to work their way through the legal process.

In referenced Table 4-1, an Annual Projections section follows the Financial Analysis section. This section includes the time period 2015 and after.

In general, projected future revenue and expense categories have been increased at an assumed rate of 3½% per year with some changes in projected water sales that are described in detail in the following paragraphs for the period 2015 and after. The 3½% per year inflation rate is only a reasonable estimate; however the 3½% annual increase has been applied to both expenditures and income. Therefore, if a different rate of

inflation occurs, the projected budget should be properly funded. The following paragraph titles correspond to the column headings in the referenced Table 4-1.

Taxes

Tax income is derived from ad valorem taxes with a 2013 mill levy of 0.403. During the listed historical period annual changes in tax income has varied from -3.6% to +6.1%. As previously mentioned, a 3½% annual increase has been assumed from taxes as well as most other income sources.

Annual Fees

The projected Annual Fees for 2013 and 2014 are based current fees as described in Appendix B using existing numbers of augmentation certificates served by the District. In the Annual Projections section beginning in year 2015, the same numbers of certificates are assumed that exist in 2013. However, the annual fee rate for a Private Individual Home has been increased from \$150 to \$200 and commercial use <1.0 acre-foot has been increased from \$350 to \$400. For each subsequent year the numbers of these certificates are increased by five. Following is a summary tabulation of numbers of certificates and resulting fees beginning in year 2015:

Type of Certificate	Number	Fee Rate	Total Fee
Private Individual Home	795	\$200	\$159,000
Commercial Use <1.0 acre-ft	74	\$400	\$29,600
Commercial Use ≥1.0 acre-ft	Existing	Variable	\$50,000
Total			\$238,600

Thereafter, the Annual Fees increase by (5 acre-feet x \$200/yr) = \$1,000.

Net Water Sales

The current charge for permanent augmentation water sold by the District is \$15,000 per acre-foot. A copy of the District's rate schedule is included in Appendix B. The charge is projected to increase to \$17,500 per acre-foot for water sales beginning in 2014 and then again increase to \$20,000 beginning in 2019. This increased project water charge is based on anticipated inflation costs.

An estimated sales rate of five acre-feet of augmentation water per year has been projected. Although the District's water sales have declined significantly in recent years, the projected rate of sales is reasonable based on the District's water sales experience during the last seven years included in the table. During these last seven years augmentation water sales have average ±6 acre-feet per year.

During the first five years (through year 2018) of the projected new CWCB loan repayment period, sale of five acre-feet per year of augmentation water from the District's current inventory at a rate of \$17,500 per acre-foot is planned.

Storage Water Sales

In the Storage Water Sales column, values for years 2006 through 2012 are actual historical sales. These water sales are different than those listed in column “Net Water Sales” because they are one time sales rather than a permanent augmentation supply. For example, the District may sell augmentation water to a road construction contractor needing water to improve compaction of soil in a road base. Water would be withdrawn from a stream by the contractor and then replaced by a release from the District’s reservoir storage in Rio Grande, Santa Maria or Continental reservoirs. These reservoirs are located on or tributary to the Rio Grande near its headwaters.

The District will continue their historical practice of selling this Storage Water as described above, which will provide an additional annual source of income. In addition, in the near term the District will sell excess Storage Water derived, in part, from the Anaconda Ditch water rights purchased with the assistance of the CWCB loan that is the focus of this study to the Rio Grande Water Conservation District (RGWCD). During 2012, 250 acre-feet of excess Storage Water was sold to RGWCD then released and used to replace depletions to the Rio Grande resulting from irrigation well pumping within the boundaries Subdistrict No. 1. Subdistrict No. 1 has been organized under the auspices of RGWCD to provide replacement water for depletions caused to the Rio Grande mainstem by irrigation well pumping with the Subdistrict. The RGWCD has indicated its interest in continuing to purchase available excess Storage Water on a continuing annual basis.

Projections have utilized only the sales to the RGWCD, although traditional sales will continue. The traditional sales will provide excess income available to the District.

Sales for 2013 are projected to be 275 acre-feet to the RGWCD at a price of \$250 per acre-foot yielding \$68,750. For year 2014, an excess of 275 acre-feet per year is projected from the yield of existing District water rights and an additional 275 acre-feet with the purchase of the Anaconda water rights. Therefore, a total of 550 acre-feet at \$250/acre-foot produce \$137,500 of available income.

Beginning in year 2015 annual projections of Storage Water Sales are 550 acre-feet from existing and new Anaconda water and 150 acre-feet from new Sawyer water for a total of 700 acre-feet. From this amount, five acre-feet for this and each proceeding year is subtracted and is the source of water included in the Net Water Sales column. As it is assumed in these projections, five acre-feet per year of permanent water augmentation waters are sold. Further, it is assumed that the charge for each acre-foot will be increased by 3½% annually. Therefore, projected sales for 2015 are $(700 \text{ acre-feet} - 5 \text{ acre feet}) \times (\$250/\text{acre-foot} \times 1.035) = \$179,831$. The RGWCD has agreed to pay any reservoir storage costs related to the water it purchases from the District.

Administration & Overhead

The Administration & Overhead (Admin & OH) expenditure column starting in year 2015 is projected based on previous historical cost plus and annual increase of 3½% annually.

Ditch Maintenance

The “Ditch Maintenance” expenses are primarily made-up of the costs associated with maintenance of the District’s Pine River Weminuche Pass Ditch. The “Ditch Maintenance” category was increased by a 3½% annual inflation rate based on the projected 2013 and 2014 budgeted cost. This estimate is reasonable based on the District’s experience coordinating all operation, repair, and improvement of the Ditch for the last ±10 years.

Storage Costs

The expenditures listed in the Storage Costs column is projected using an annual storage quantity of 925 acre-feet multiplied by a reservoir storage fee. 925 acre-feet represents the maximum water stored in the reservoirs during the water year and includes the reserve storage the District maintains to assure a continued augmentation supply during dry years. Storage contracts are in place with both the San Luis Valley Irrigation District and the Santa Maria Reservoir Company. The annual storage fee by contract in year 2014 will be \$83.75 per acre-foot. For each subsequent year the fee is projected to increase 3½% per year.

Legal and Engineering Fees

Legal and engineering fees were projected to increase at a rate of 3½% per year. However, the fees were projected to decrease by \$50,000 per year beginning in year 2015 when the decrees for Anaconda and Roban and Little Anna water rights should be complete.

River Restoration Support

For several years the District has supported a program to restore historical function of the Rio Grande. The project was initiated following a CWCB funding study and report completed in October 2001 titled “Rio Grande Headwaters Restoration Project”. Values in this column represent projected support for the project which in recent years has had notable success.

Miscellaneous

Values in this column include estimates of expenditures that cannot be included in other categories.

TABLE 4-1
Revenue and Expenditure Projections

FINANCIAL ANALYSIS

YEAR	INCOME						EXPENDITURES												
	Taxes	Annual Fees	Net Water Sales	Storage Water Sales	Misc	Total Income	Admin & OH	Ditch Maintenance	Storage Costs	Legal & Engineering	River Restoration Support	Misc.	New CWCB Loan Reserve	Existing CWCB Loan Repayment	New CWCB Loan Repayment	Total Expenditures	Net	Notes	
2006*	\$128,907	\$181,368	\$58,005	\$2,300	\$37,190	\$407,770	\$144,244	\$31,560	\$21,324	\$77,960	\$20,293	\$1,463				\$296,844	\$110,926		
2007*	\$136,719	\$154,008	\$101,514	\$3,310	\$52,397	\$447,948	\$139,539	\$19,032	\$31,788	\$50,940	\$20,947	\$486				\$262,732	\$185,216		
2008*	\$141,259	\$160,392	\$11,173	\$12,070	\$46,771	\$371,665	\$150,785	\$31,913	\$57,849	\$46,039	\$21,681	\$8,902				\$317,169	\$54,496		
2009*	\$148,335	\$172,749	\$157,192	\$9,200	\$37,333	\$524,809	\$274,259	\$55,430	\$65,415	\$69,846	\$22,233	\$6,829		\$8,837		\$502,849	\$21,960	Prior Period Adjustment	
2010*	\$146,784	\$197,202	\$118,274	\$32,500	\$29,381	\$524,141	\$151,137	\$45,855	\$89,687	\$30,284	\$22,947	\$650		\$39,539		\$380,099	\$144,042		
2011*	\$141,531	\$168,369	\$335,643	\$155,500	\$41,982	\$843,025	\$191,350	\$31,102	\$93,064	\$29,042	\$49,264	\$825		\$39,539		\$434,186	\$408,839	Large Water Sales	
2012**	\$146,144	\$185,878	\$30,659	\$126,370	\$15,577	\$504,628	\$203,377	\$35,210	\$110,901	\$19,551	\$27,921	\$15		\$39,539		\$436,514	\$68,114		
2013***	\$151,918	\$201,250	\$75,000	\$68,000	\$20,700	\$516,868	\$195,546	\$45,000	\$82,000	\$85,000	\$15,080	\$1,000		\$39,539		\$463,165	\$53,703		
2014***	\$157,235	\$201,250	\$87,500	\$137,500	\$20,700	\$604,185	\$202,320	\$45,000	\$82,000	\$85,000	\$15,080	\$1,000	\$4,010	\$39,539	\$40,090	\$514,039	\$90,146		
*Src: audited financial statements																			
**unaudited																			
***projected																			

*Src: audited financial statements

**unaudited

***projected

ANNUAL PROJECTIONS STARTING IN 2015 AFTER PURCHASE OF ANACONDA AND SAWYER WATER RIGHTS

YEAR	INCOME						EXPENDITURES												
	Taxes	Annual Fees	Net Water Sales	Storage Water Sales	Misc	Total Income	Admin & OH	Ditch Maintenance	Storage Costs	Legal & Engineering	River Restoration Support	Misc.	New CWCB Loan Reserve	Existing CWCB Loan Repayment	New CWCB Loan Repayment	Total Expenditures	NET	Income Accumulation	
	(+3½% Annual Increase)	Rate increases in 2015	100% of water sales	100% of water sales, (+3.5% Annual Increase in rate)	(+3½% Annual Increase)		(+3½% Annual Increase)	(+3½% Annual Increase)	(+3½% Annual Increase)	(+3½% Annual Increase)		(+3½% Annual Increase)							
2015	\$162,738	\$238,600	\$87,500	\$179,831	\$20,000	\$688,669	\$209,401	\$46,575	\$80,180	\$35,000	\$15,080	\$1,035	\$4,010	\$39,539	\$40,090	\$470,910	\$217,759	\$217,759	
2016	\$168,434	\$239,600	\$87,500	\$184,786	\$20,700	\$701,020	\$216,730	\$48,205	\$82,986	\$36,225	\$15,080	\$1,071	\$4,010	\$39,539	\$40,090	\$483,937	\$217,083	\$434,842	
2017	\$174,329	\$240,600	\$87,500	\$189,868	\$21,425	\$713,722	\$224,316	\$49,892	\$85,891	\$37,493	\$15,080	\$1,109	\$4,010	\$39,539	\$40,090	\$497,420	\$216,302	\$651,144	
2018	\$180,431	\$241,600	\$87,500	\$195,079	\$22,174	\$726,784	\$232,167	\$51,639	\$88,897	\$38,805	\$15,080	\$1,148	\$4,010	\$39,539	\$40,090	\$511,374	\$215,410	\$866,554	
2019	\$186,746	\$242,600	\$100,000	\$200,422	\$22,950	\$752,718	\$240,293	\$53,446	\$92,009	\$40,163	\$15,080	\$1,188	\$4,010	\$39,539	\$40,090	\$525,817	\$226,901	\$1,093,455	
2020	\$193,282	\$243,600	\$100,000	\$205,900	\$23,754	\$766,536	\$248,703	\$55,316	\$95,229	\$41,569	\$15,080	\$1,229	\$4,010	\$39,539	\$40,090	\$540,766	\$225,770	\$1,319,225	
2021	\$200,047	\$244,600	\$100,000	\$211,516	\$24,585	\$780,748	\$257,408	\$57,253	\$98,562	\$43,024	\$15,080	\$1,272	\$4,010	\$39,539	\$40,090	\$556,237	\$224,511	\$1,543,736	
2022	\$207,048	\$245,600	\$100,000	\$217,273	\$25,446	\$795,368	\$266,417	\$59,256	\$102,012	\$44,530	\$15,080	\$1,317	\$4,010	\$39,539	\$40,090	\$572,250	\$223,117	\$1,766,853	
2023	\$214,295	\$246,600	\$100,000	\$223,174	\$26,336	\$810,406	\$275,742	\$61,330	\$105,582	\$46,088	\$15,080	\$1,363	\$4,010	\$39,539	\$40,090	\$588,824	\$221,582	\$1,988,435	
2024	\$221,795	\$247,600	\$100,000	\$229,222	\$27,258	\$825,876	\$285,392	\$63,477	\$109,277	\$47,701	\$15,080	\$1,411	\$0	\$39,539	\$40,090	\$601,968	\$223,908	\$2,212,343	
2025	\$229,558	\$248,600	\$100,000	\$235,420	\$28,212	\$841,790	\$295,381	\$65,699	\$113,102	\$49,371	\$15,080	\$1,460	\$0	\$39,539	\$40,090	\$619,722	\$222,069	\$2,434,411	
2026	\$237,593	\$249,600	\$100,000	\$241,771	\$29,199	\$858,163	\$305,720	\$67,998	\$117,061	\$51,099	\$15,080	\$1,511	\$0	\$39,539	\$40,090	\$638,097	\$220,066	\$2,654,477	
2027	\$245,909	\$250,600	\$100,000	\$252,188	\$30,221	\$878,918	\$316,420	\$70,378	\$121,158	\$52,887	\$15,080	\$1,564	\$0	\$39,539	\$40,090	\$657,116	\$221,802	\$2,876,280	
2028	\$254,515	\$251,600	\$100,000	\$258,991	\$31,279	\$896,386	\$327,494	\$72,841	\$125,398	\$54,738	\$15,080	\$1,619	\$0	\$39,539	\$40,090	\$676,800	\$219,586	\$3,095,865	
2029	\$263,423	\$252,600	\$100,000	\$265,962	\$32,374	\$914,359	\$338,957	\$75,391	\$129,787	\$56,654	\$15,080	\$1,675	\$0	\$39,539	\$40,090	\$697,173	\$217,186	\$3,313,051	
2030	\$272,643	\$253,600	\$100,000	\$273,103	\$33,507	\$932,853	\$350,820	\$78,029	\$134,330	\$58,637	\$15,080	\$1,734	\$0	\$39,539	\$40,090	\$718,260	\$214,594	\$3,527,644	
2031	\$282,186	\$254,600	\$100,000	\$280,418	\$34,680	\$951,884	\$363,099	\$80,760	\$139,031	\$60,690	\$15,080	\$1,795	\$0	\$39,539	\$40,090	\$740,084	\$211,800	\$3,739,444	
2032	\$292,062	\$255,600	\$100,000	\$287,911	\$35,894	\$971,467	\$375,807	\$83,587	\$143,897	\$62,814	\$15,080	\$1,857	\$0	\$39,539	\$40,090	\$762,672	\$208,795	\$3,948,239	
2033	\$302,284	\$256,600	\$100,000	\$295,585	\$37,150	\$991,619	\$388,961	\$86,513	\$148,934	\$65,012	\$15,080	\$1,923	\$0	\$39,539	\$40,090	\$786,051	\$205,568	\$4,153,807	
2034	\$312,864	\$257,600	\$100,000	\$303,443	\$38,450	\$1,012,357	\$402,574	\$89,540	\$154,146	\$67,288	\$15,080	\$1,990	\$0	\$39,539	\$40,090	\$810,248	\$202,110	\$4,355,917	
2035	\$323,815	\$258,600	\$100,000	\$311,489	\$39,796	\$1,033,699	\$416,664	\$92,674	\$159,542	\$69,643	\$15,080	\$2,059	\$0	\$39,539	\$40,090	\$835,291	\$198,408	\$4,554,325	
2036	\$335,148	\$259,600	\$100,000	\$319,727	\$41,189	\$1,055,664	\$431,248	\$95,918	\$165,126	\$72,080	\$15,080	\$2,132	\$0	\$39,539	\$40,090	\$861,212	\$194,452	\$4,748,777	
2037	\$346,878	\$260,600	\$100,000	\$328,160	\$42,630	\$1,078,268	\$446,341	\$99,275	\$170,905	\$74,603	\$15,080	\$2,206	\$0	\$39,539	\$40,090	\$888,039	\$190,229	\$4,939,005	
2038	\$359,019	\$261,600	\$100,000	\$336,791	\$44,122	\$1,101,532	\$461,963	\$102,750	\$176,887	\$77,214	\$15,080	\$2,283	\$0	\$39,539	\$40,090	\$915,806	\$185,726	\$5,124,732	
2039	\$371,585	\$262,600	\$100,000	\$345,625	\$45,667	\$1,125,476	\$478,132	\$106,346	\$183,078	\$79,916	\$15,080	\$2,363	\$0	\$39,539	\$40,090	\$944,544	\$180,932	\$5,305,663	
2040	\$384,590	\$263,600	\$100,000	\$354,664	\$47,265	\$1,150,119	\$494,867	\$110,068	\$189,485	\$82,714	\$15,080	\$2,446	\$0	\$40,090	\$40,090	\$934,750	\$215,370	\$5,521,033	
2041	\$398,051	\$264,600	\$100,000	\$363,913	\$48,919	\$1,175,483	\$512,187	\$113,921	\$196,117	\$85,609	\$15,080	\$2,532	\$0	\$40,090	\$40,090	\$965,535	\$209,948	\$5,730,981	
2042	\$411,983	\$265,600	\$100,000	\$373,375	\$50,631	\$1,201,589	\$530,113	\$117,908	\$202,981	\$88,605	\$15,080	\$2,620	\$0	\$40,090	\$40,090	\$997,398	\$204,191	\$5,935,172	
2043	\$426,402	\$266,600	\$100,000	\$383,053	\$52,403	\$1,228,458	\$548,667	\$122,035	\$210,086	\$91,706	\$15,080	\$2,712	\$0	\$40,090	\$40,090	\$1,030,376	\$198,083	\$6,133,254	
2044	\$441,326	\$267,600	\$100,000	\$392,951	\$54,238	\$1,256,115	\$567,871	\$126,306	\$217,439	\$94,916	\$15,080	\$2,807	\$0			\$1,024,418	\$231,697	\$6,364,951	

See Section 4.3 - Revenue and Expenditure Projections for explanation of projection method.

2013 CWCB loan application

2/13/2013

New CWCB Loan Reserve

The CWCB's required reserve of 1% of the annual payment for 10 years and annual loan repayment over a 30 year period is included in separate column in the spreadsheet.

Existing CWCB Loan Repayment

This column reflects the repayment schedule for an existing CWCB loan that was received in 2009 for the purchase of the Weaver's share in the Pine River Weminuche Pass Ditch.

Requested CWCB Loan Repayment

The loan repayments start in year 2014 and are derived from the amortization table included in Appendix C.

4.4 Loan Repayment Sources

The source of funds to be used to repay the requested loan will be a portion of the all projected District revenue. As can be noted, Table 4-1 indicates there is a positive net between projected income and expenditures.

4.5 TABOR (Taxpayer's Bill of Rights) Issues

The Anaconda water rights are being acquired by the Conservancy District through its Water Activity Enterprise. Pursuant to C.R.S. § 37-45.1-106 (1), the District may contract with the Colorado Water Conservation Board for the funding of a loan related to its acquisition of these water rights. The TABOR Amendment does not apply to this activity. Revenues collected by the District or its Enterprise for the acquisition of these water rights for use in the District's Augmentation Program are not subject to the limitations of subsections (4) and (7) of section 20 of article X of the Colorado Constitution, *see* C.R.S. § 37-45.1- 106 (2). Also, any increase in the rates charged by the District or its Enterprise for water activity enterprise services, such as the purchase of these water rights for use in the District's Augmentation Program, are not deemed a tax subject to the limitations of section 20 (4) and (7) of article X of the State Constitution.

4.6 Collateral

Throughout the term of the loan period, the District offers the "Annual Fees" as collateral for the request loan. This form of collateral is in accordance with CWCB's Standard Loan Contract – Waiver #160 – Approved November 10, 2003, Section A. 8. Pledge of revenues. The annual fees were \$185,878 during 2012. The fees are projected to increase in direct portion to water sales (See Table 4-1). The method used to project the increase in annual fees is described in Section 4.3 – Revenue and Expenditure Projections.

4.7 Sponsor Creditworthiness

In accordance with CWCB Policies, copies of the three most recent audit reports are included in Appendix D.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Historical Augmentation Program water sales demonstrate the existence of a long-term market which will continue and will require augmentation water provided through the District's Augmentation Program to meet those significant future needs. The District water Augmentation Program provides a reliable source of augmentation water that promotes the orderly economic growth of the service area. The revenue and expenditure projections indicate the purchase of Anaconda Ditch, and the District's ability to repay a CWCB loan, are economically feasible.

5.2 Recommendations

Based on the above described conclusions, it is recommended that the District proceed with application to the CWCB for a loan in the amount of \$830,700. Upon receipt of assurance that the loan is available and completion of loan documentation, it is recommended the District purchase the Anaconda Ditch water rights and proceed with the necessary Water Court application to integrate those water rights into the District's Augmentation Program.

Filed in the Combined Court
Alamosa County, Colorado

DISTRICT COURT, WATER DIVISION NO. 3, COLORADO

DEC 10 1998

Case No. 94CW62

Clerk of the Combined Court

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RULING OF THE REFEREE

CONCERNING THE APPLICATION FOR WATER RIGHTS OF THE SAN LUIS VALLEY WATER CONSERVANCY DISTRICT, in Alamosa, Rio Grande, Saguache, Hinsdale, and Mineral Counties, place of storage in Mineral and Hinsdale Counties.

This matter came before the Water Referee on the Amended Application for Approval of Plan for Augmentation, Including Exchange, and for Change of Water Rights. The Water Referee, having made such investigations as are necessary to determine whether the statements in the Amended Application are true and being fully advised in this matter, hereby finds and concludes:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Applicant filed its Application for Approval of Plan for Augmentation, Including Exchange, and for Change of Water Rights on December 30, 1994. On March 21, 1995 Applicant filed an Amended Application to correct an error.

2. Timely and adequate notice of the application was published as required by law and this Court has jurisdiction over the subject matter of the proceeding and over all persons and water rights affected thereby, whether they have appeared or not. Republication of the amended application was not necessary.

3. The time for filing statements of opposition expired on February 28, 1995. Timely statements of opposition were filed by the State and Division Engineers and the Colorado Water Conservation Board ("CWCB").

4. Applicant is the San Luis Valley Water Conservancy District ("District"), P.O. Box 729, Monte Vista, CO 81144, (719) 852-2315.

5. Applicant is a statutorily governed water conservancy district formed pursuant to the Colorado Water Conservancy Act, C.R.S. § 37-45-101, et seq. This act provides for the formation of water conservancy districts and provides means by which a water conservancy district may expand and change its boundaries

by the inclusion of additional lands or the exclusion of lands previously included within the district's boundaries. In this regard, the act expressly contemplates that a water conservancy district's boundaries may change from time to time. This Court finds that the application as amended, resume notice, and published notices in this case constitute actual or inquiry notice to all water users in Water Division No. 3 of the nature of the application, including the potential that Applicant's boundaries may change from time to time and that additional areas may be included in this plan for augmentation.

6. Applicant has contracted to purchase an undivided $\frac{1}{4}$ interest in and to the following water rights decreed to the Pine River Weminuche Pass Ditch, and its first and second enlargements¹:

<u>Priority No.</u>	<u>Priority Date</u>	<u>Amount</u>
1965-13	10/11/1934	6.0 c.f.s.
1965-14	11/2/1934	6.0 c.f.s.
1965-19	6/30/1936	6.0 c.f.s.

7. These water rights were awarded by the District Court, La Plata County, Colorado, Case No. 1248-B, on March 7, 1966, for irrigation of lands in Rio Grande County.

8. The Pine River Weminuche Pass Ditch diverts its supply from an unsurveyed location on the Rio Del Los Pinos, a tributary of the San Juan River in Hinsdale County and carries it across the Continental Divide and into the Rio Grande drainage.

9. This share of the water has historically been used as a supplemental source of water to irrigate approximately 185 acres in Rio Grande County, as follows:

$N\frac{1}{2}NW\frac{1}{4}$)
) Sec. 33, T. 40 N., R. 5 E.
 Fr. $S\frac{1}{2}SW\frac{1}{4}$)
 Fr. $SE\frac{1}{4}$, Sec. 32, T. 40 N., R. 5 E.

10. The long term diversion records of the Pine River Weminuche Pass Ditch indicate that this share of the water has

¹ In case no. 84CW16, Applicant previously obtained approval of an augmentation plan using a previously acquired $\frac{1}{4}$ interest in these water rights. Applicant either owns or has contracted to purchase a total of an undivided $\frac{1}{4}$ interest in these water rights.

produced an average of 131 acre-feet annually.

11. Applicant proposes to change the water right and proposes an augmentation plan, as described below.

12. Applicant is changing its $\frac{1}{4}$ interest to allow continued use of the water for irrigation until needed and then to make the water available on an annual basis to replace injurious, out-of-priority depletions to the Rio Grande basin, including the Rio Grande mainstem, its tributaries, and the confined and unconfined aquifers, from water use associated with non-agricultural wells and other diversion or storage structures within the boundaries of the District, as such boundaries may change from time to time pursuant to law, including but not limited to structures for livestock watering, pond evaporation, domestic, including lawn and landscape irrigation, in-house domestic, commercial, and industrial uses. The water will be stored as necessary in Rio Grande Reservoir, pursuant to an agreement between Applicant and the San Luis Valley Irrigation District ("Irrigation District"), or by exchange in Santa Maria and Continental Reservoirs pursuant to a separately decreed exchange right and any necessary agreements with the reservoir owners.

13. Applicant's current agreement with the San Luis Valley Irrigation District specifies that if water must be spilled from Rio Grande Reservoir, the Irrigation District may exchange Applicant's stored water into Santa Maria and Continental Reservoirs. If such exchange is not possible, the Irrigation District will spill water of the Irrigation District before spilling Applicant's water in storage. Also pursuant to that agreement, the Irrigation District may dedicate some of its water in storage to Applicant's augmentation plan for use as augmentation water when Applicant has insufficient water. In such a case, the Irrigation District's water will be traded for Applicant's water, and be used in this augmentation plan, subject to any further change of water rights or administrative approval by the Division Engineer as may be necessary.

14. This trade may only be made with the consent of the Irrigation District consistent with its authority to operate and manage the Rio Grande Reservoir.

15. The water will be released from these reservoirs upon demand by the State Engineer to replace injurious out-of-priority depletions caused by plan participants, subject to the terms of the Agreement between Applicant and the San Luis Valley Irrigation District.

16. Applicant will carry forward any stored water and

retain it in storage from one year to the next in order to provide a sufficient source of augmentation water in times of shortage.

17. The reservoirs are located as follows:

Rio Grande Reservoir, Sec. 5, 6, 7, 8, 9, 10, 13, 14, 15, and 16, T.40N., R.4W, and Sections 31 and 32, T.41N., R.4W., N.M.P.M., Hinsdale County. It collects water from the Rio Grande and its tributaries, with a capacity of 51,113 a.f.;

Santa Maria Reservoir, Sec. 16, 21, 22, 27, and 28, T.41N., R.2W., N.M.P.M., Mineral County. It collects water from the North Clear Creek, Bennett Creek, and Boulder Creek. Its inlet ditch is located on the west or right bank of North Clear Creek, approximately 5398.1 feet from the SE corner of Sec. 1, T. 41N., R.3W., N.M.P.M., with a capacity of 37,524 a.f.;

Continental Reservoir, Sec. 21, 28, and 29, T.42N., R.3W., N.M.P.M., Hinsdale County. It impounds water from North Clear Creek, with a capacity of 26,716 a.f.

18. Applicant currently has a storage agreement with the owner of the Rio Grande Reservoir which provides for the storage and release of sufficient quantities of water necessary to meet the requirements of the augmentation plan set forth herein. Subject to approval of the Division Engineer, Applicant may also make water available for augmentation by direct flow from the Pine-River Weminuche Pass Ditch.

19. Applicant will attach standard informational forms to well permit applications and supply such forms to the Division Engineer for other types of structures in the plan for augmentation. The standardized form utilized by Applicant shall give sufficient information concerning the structure and the proposed use of water to allow the Division Engineer to accurately calculate the total depletion and the quantity and timing of consumptive loss to the stream system. The State Engineer and Division Engineer shall have the discretion to determine the informational requirement of standardized forms.

20. Applicant shall submit these forms and any other necessary reports showing the replacement requirement and supporting information to the Division Engineer and the CWCB immediately upon acceptance of each structure into the Applicant's plan and shall submit reports showing uses of the water to the Division Engineer by November 10th of each year, or such other dates as are acceptable to the State Engineer.

21. Applicant shall not include in this augmentation plan any structures on the following tributaries of the Rio Grande: Alamosa River, Burro Creek, Cross Creek, Kelly Creek, Lost Mine Creek, Park Creek, Race Creek, San Francisco Creek, and West Alder Creek.

22. The CWCB currently holds and may acquire additional instream flow water rights in Water Division No. 3. Except on streams otherwise provided for herein (see paragraph 21 above), unreplaced depletions impacting such an instream flow water right from structures participating in this augmentation plan shall be allowed and shall not constitute injury, as per Rule 9.30 of the Rules and Regulations concerning the Colorado Instream Flow and Natural Lake Level Program, subject to the following limitations:

a. Upon receipt and consideration of an application for participation in this augmentation plan, Applicant shall calculate the cumulative total of out-of-priority unreplaced depletions that may impact such an instream flow water right from the following:

- 1) water uses augmented under this plan, including pending applications for augmentation under this plan, that are junior in priority to the instream flow water right;
- 2) water uses augmented under this plan, including pending applications for augmentation under this plan, that are senior in priority to the instream flow water right, to the extent such depletions would not otherwise occur except for participation in this plan²;
- 3) other decreed conditional and absolute water rights that are junior in priority to the instream flow water right; and
- 4) water uses for which applications are pending before the Water Court at the time of calculation, based upon the proposed amount of such depletions;

Applicant shall not include in such cumulative total, however, depletions from:

- 1) "exempt wells" permitted pursuant to C.R.S. §

² Nothing herein shall constitute an admission or determination that such depletions are injurious.

37-92-602 et seq.; and

2) present uses or exchanges of water being made by water users pursuant to appropriation or practices in existence on the date of the appropriation for the instream flow water right, whether or not previously confirmed by court order or decree;

b. at such time as such cumulative total, as calculated by Applicant, equals or exceeds 80% of the allowed "de minimus" depletion (defined as 1% of the decreed instantaneous flow rate for such instream flow water right), or the CWCB notifies Applicant that such cumulative total equals or exceeds 80% of that allowed "de minimus" depletion level, Applicant shall proceed as follows with respect to all pending and future applications to augment uses that may impact such instream flow water right:

1). Applicant shall submit any such application for inclusion in this plan to the CWCB before approving any such application. The CWCB shall have 45 days to review such application and notify the Applicant whether or not such water use will cause such cumulative total depletions to exceed one percent of the decreed instantaneous flow rate for the instream flow right. If the CWCB determines and notifies the Applicant that the water use will cause such amount to be exceeded, the Applicant will not agree to augment that use under this plan. Failure by the CWCB to give notice to the Applicant of its determination regarding any such application within 45 days of receipt thereof by the CWCB shall be considered an approval by the CWCB of such application for inclusion in this plan; and

2). Once the CWCB has notified the Applicant and the Division Engineer that such cumulative total has reached one percent of the decreed instantaneous flow rate for an instream flow water right on any stream segment, Applicant shall not agree to augment under this plan any additional uses that may further increase such cumulative total on that particular segment; and

c. Once the CWCB has notified the Applicant that the

CWCB has exempted a specific stream segment from further "de minimis" depletions pursuant to Rule 9.33 of the Rules and Regulations Concerning the Colorado Instream Flow and Natural Lake Level Program, Applicant shall not agree to augment under this plan any additional uses to that instream flow segment that may further increase the unreplaced depletions described in paragraph 22a. above.

As provided above, this plan does not grant an exclusive right to the Applicant to incur *de minimis* depletions to CWCB instream flow rights. Notwithstanding these provisions, should an application be filed in Water Court for a structure or water use that may cause such cumulative total to exceed one percent of the decreed instantaneous flow rate for such an instream flow right, Applicant shall not be required to remove from this augmentation plan any structures or uses already accepted into this plan or to reduce depletions from any structures or uses already accepted into this plan.

23. Except as specifically described herein, or except as separately decreed or administratively approved, replacement of out-of-priority depletions pursuant to this plan shall occur at the Rio Grande mainstem. Replacement of out-of-priority depletions from structures which divert water tributary to the Closed Basin and wells diverting water from the confined aquifer, shall occur directly to those sources. Such replacement shall occur through facilities approved by the Division Engineer for such purposes. The Applicant shall have agreements in place with the owners of such facilities before using such for this purpose.

24. The replacement requirement for uses to be augmented under this plan shall be established using the criteria on the attached Exhibit A, which shall be used until such time as the State Engineer requires actual measurements or Applicant elects to obtain and report actual measurements of water use.

25. The owners of all structures augmented under this plan will be required to install and maintain measuring devices on such structures, or to provide water use and depletion accounting forms sufficient to meet reasonable accounting needs of the State and Division Engineers.

26. The Division Engineer has statutory authority to calculate and adjust transportation losses for releases of stored water and to assess a transportation charge from time to time in accordance with facts hereafter developed. Applicant shall account for such charges in accordance with the procedures lawfully established by the Division Engineer. Applicant shall

have the right to review the Division Engineer's determination of transportation losses and make appropriate recommendations and objections.

27. Applicant shall account for appropriate evaporation charges if established by the Division Engineer, on water placed into storage; however, such an evaporation charge shall be assessed only when the Division Engineer assesses evaporation charges on all water storage rights in Water Division No. 3.

28. Applicant shall disclose to those parties intending to participate in this plan that any uses augmented under this plan may be subject to total curtailment in the event of unavailability of augmentation water or in the event Applicant or its successor is unable to store such augmentation water.

29. The plan for augmentation, the change of water rights, and carrying forward of stored water from year to year are contemplated by law. If the plan for augmentation is administered in accordance with this Ruling, it is sufficient to permit the continued diversions and depletion in the Rio Grande basin, including the Rio Grande mainstem, its tributaries, and the confined and unconfined aquifers, from participating non-agricultural wells and other diversion or storage structures, including but not limited to structures for livestock watering, pond evaporation, domestic, including lawn and landscape irrigation, in-house domestic, commercial, and industrial uses within the boundaries of the San Luis Valley Water Conservancy District, as such boundaries may change from time to time pursuant to law, when curtailment would otherwise be required to meet valid senior calls. The owners of or persons entitled to use water under vested water rights and decreed conditional water rights will not be injuriously affected by this augmentation plan, or by the change of water rights.

30. The State Engineer lawfully may be required under the terms of this Ruling to administer the plan for augmentation in the manner set forth herein and shall not, at the request of any other appropriator or on his own initiative, curtail or obtain a curtailment of the diversion of water from the structures augmented under this plan so long as replacement water is available to meet the lawful requirements of seniors at the time and place and to the extent that the seniors would be deprived of their lawful entitlements by such structures, except as provided herein. The State Engineer shall curtail all out-of-priority diversions, the depletions from which are not so replaced as to prevent injury to vested water rights pursuant to C.R.S. § 37-92-305(8).

Dated: December 10, 1998.

[Signature]
Water Referee
Water Division No. 3

THE COURT FINDS: NO PROTEST WAS FILED IN THIS MATTER. THE FOREGOING FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RULING OF THE REFEREE IS CONFIRMED AND APPROVED, AND IS HEREBY MADE THE FINAL JUDGMENT AND DECREE OF THIS COURT.

DATED: _____

BY THE COURT:

WATER COURT JUDGE
WATER DIVISION NO. 3

EXHIBIT A
WATER REPLACEMENT REQUIREMENTS

CATEGORY I

Source of Water: Surface stream or unconfined.

Type of Use	Replacement Equation (AC.-FT./YR.)
In-house use with central sewer system returning water to stream.	$\frac{85 \text{ gpcpd} \times 3 \text{ people/unit} \times 365 \text{ days/yr.} \times 0.05 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.014$
In-house use with septic tank and leach field system.	$\frac{85 \text{ gpcpd} \times 3 \text{ people/unit} \times 365 \text{ days/yr.} \times 0.10 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.029$
In-house use with septic tank and leach field system plus irrigation of 3,500 sq. ft. lawn or landscaping.	$\frac{85 \text{ gpcpd} \times 3 \text{ people/unit} \times 365 \text{ days/yr.} \times 0.1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} + \frac{3500 \text{ sq. ft.}}{43560 \text{ sq. ft./ac.}} \times \text{Chart B value}$
In-house use with evaporative type sewage system.	$\frac{85 \text{ gpcpd} \times 3 \text{ people/unit} \times 365 \text{ days/yr.} \times 1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.286$
In-house seasonal use of 180 days or less with central sewer system returning water to stream	$\frac{85 \text{ gpcpd} \times 2.5 \text{ people/unit} \times 180 \text{ days/yr.} \times 0.05 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.006$

EXHIBIT A
WATER REPLACEMENT REQUIREMENTS
CATEGORY I (Cont.)

Type of Use	Replacement Equation (AC.-FT./YR.)
In-house seasonal use of 180 days or less with septic tank and leach field system	$\frac{85 \text{ gpcpd} \times 2.5 \text{ people/unit} \times 180 \text{ days/yr.} \times 0.1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.012$
In-house seasonal use of 180 days or less with evaporative type sewage system.	$\frac{85 \text{ gpcpd} \times 2.5 \text{ people/unit} \times 180 \text{ days/yr.} \times 1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.117$
Horse consumption	$\frac{12 \text{ gals./day/horse} \times 365 \text{ days/yr.} \times 1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.013$
Cattle consumption	$\frac{10 \text{ gals./day/bovine} \times 365 \text{ days/yr.} \times 1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.011$
Pond evaporation for each acre of water surface.	Pond surface area in acres multiplied times value in feet/yr. from Chart A
Outside use for 3,500 square feet of lawn grass or irrigated landscaping.	$\frac{3500 \text{ sq.ft.}}{43,560 \text{ sq.ft./ac.}} \times \text{Chart B value in ft./yr.} \times 1 \text{ (C.U.)}$

EXHIBIT A
WATER REPLACEMENT REQUIREMENTS
CATEGORY II

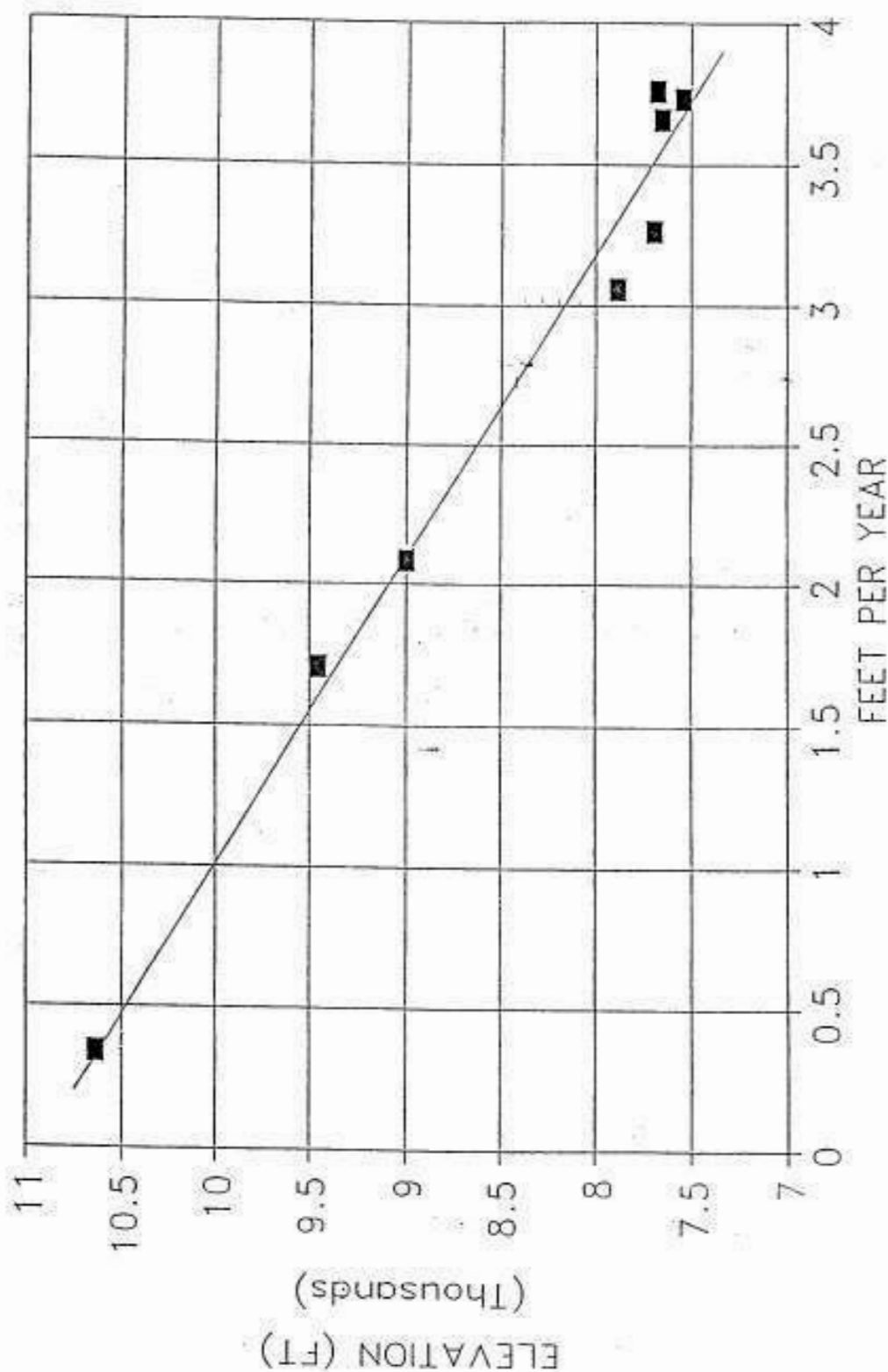
Source of Water: Confined aquifer.

Type of Use	Replacement Equation (AC.-FT./YR.)
In-house use with central sewer system returning water to stream or use of septic tank and leach field.	$\frac{85 \text{ gpcpd} \times 3 \text{ people/unit} \times 365 \text{ days/yr.} \times 1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.286$
In-house use with septic tank and leach field system plus irrigation of 3,500 sq. ft. lawn or landscaping.	$\frac{85 \text{ gpcpd} \times 3 \text{ people/unit} \times 365 \text{ days/yr.}}{325851 \text{ gals./a.f.}} + \frac{3500 \text{ sq. ft.}}{43560 \text{ sq. ft./ac.}} \times (\text{Chart B value} \times 2) \times 1 \text{ (C.U.)}$
In-house use with evaporative type sewage system.	$\frac{85 \text{ gpcpd} \times 3 \text{ people/unit} \times 365 \text{ days/yr.} \times 1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.286$
In-house seasonal use of 180 days or less with central sewer system returning water to stream or use of septic tank and leach field.	$\frac{85 \text{ gpcpd} \times 2.5 \text{ people/unit} \times 180 \text{ days/yr.} \times 1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.117$
Horse consumption	$\frac{12 \text{ gals./day/horse} \times 365 \text{ days/yr.} \times 1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.013$
Cattle consumption	$\frac{10 \text{ gals./day/bovine} \times 365 \text{ days/yr.} \times 1 \text{ (C.U.)}}{325851 \text{ gals./a.f.}} = 0.011$
Pond evaporation	Measured supply.
Outside use for each 1000 square feet of lawn grass or irrigated landscaping.	$\frac{1000 \text{ sq. ft.}}{43,560 \text{ sq. ft./ac.}} \times \text{Chart B value} \times 2 \times 1 \text{ (C.U.)}$
Abbreviations: a.f. - acre feet; ac. - acre; C.U. - consumptive use; gals. - gallons; gpcpd - gallons per capita per day; sq. ft. - square feet; yr. - year	

NET POND EVAPORATION SAN LUIS VALLEY W.C.D. - 94CW62

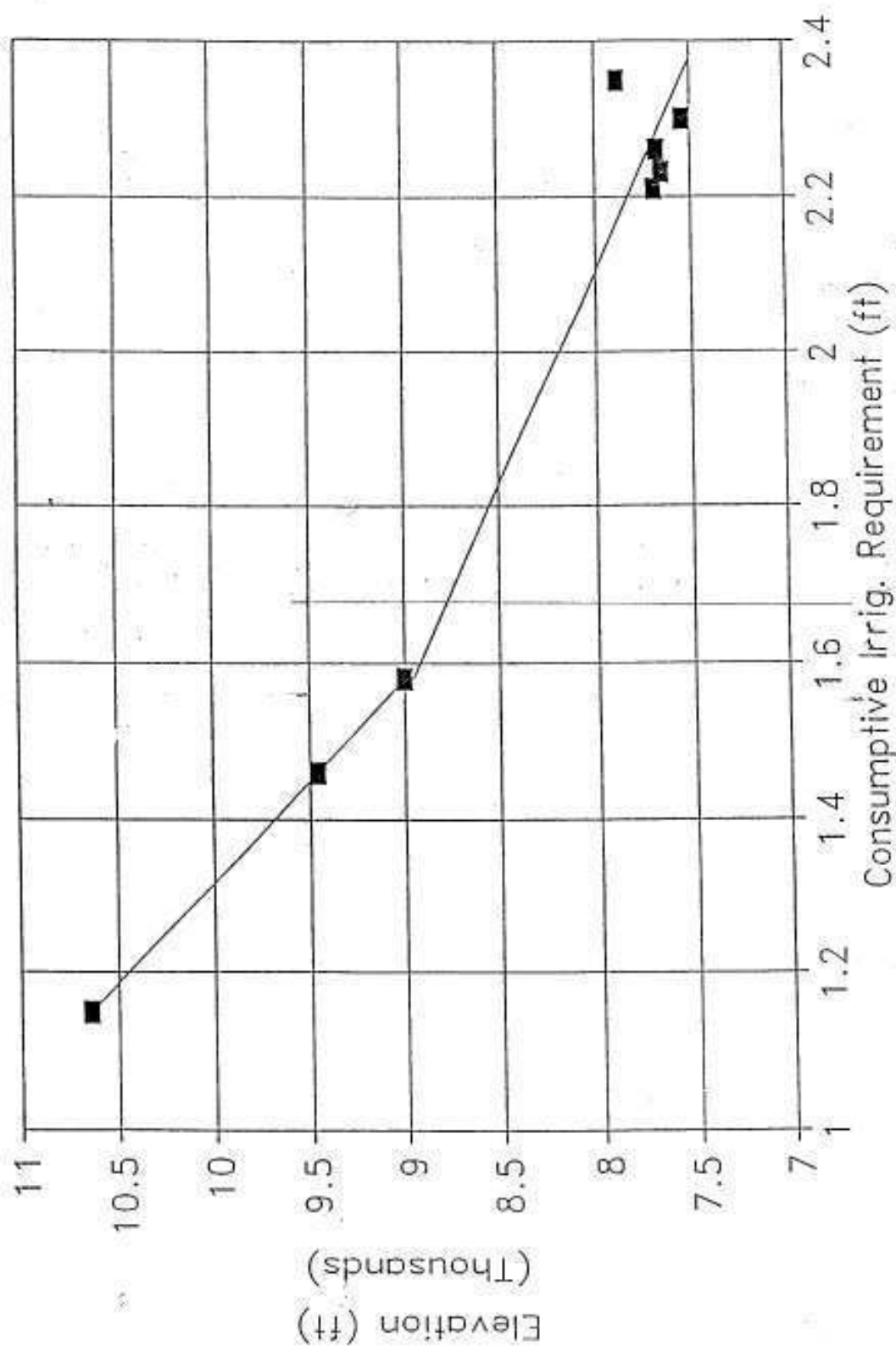
EXHIBIT A WATER REPLACEMENT REQUIREMENTS

CHART A



BLUEGRASS IRRIGATION SAN LUIS VALLEY W.C.D. - 94CW62

EXHIBIT A
WATER REPLACEMENT REQUIREMENTS
CHART B



DISTRICT COURT, WATER DIVISION 3, STATE OF COLORADO

CASE NO. 94CW62

CERTIFICATE OF MAILING OF REFEREE'S RULING

I do hereby certify that on the 15th day of December, 1998, I mailed, by certified mail, true copies of the foregoing Referee's Report and Ruling herein to the following:

Harold (Hal) D. Simpson
State Engineer
1313 Sherman St.
Denver, CO 80203

Steven E. Vandiver
Division Engineer
P.O. Box 269
Alamosa, CO 81101

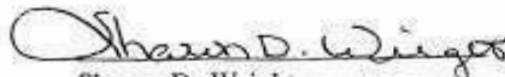
Carol Redding
San Luis Valley Water Conservancy Dist.
PO Box 729
Monte Vista, CO 81144

Colorado Water Conservation Board
1313 Sherman Street, Room 721
Denver, CO 80203

I further certify that I mailed, by ordinary mail, true copies of said notice to the following:

Stephan C. Cann, Asst. Atty. General
1525 Sherman St., 5th Floor
Denver, CO 80203

Julianne M. Woldridge, Esq.
102 North Cascade, Ste. 400
Colorado Springs, CO 80903


Sharon D. Wright
Clerk of the Water Court
Water Division 3

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT

RESOLUTION NO: 2007 - 05

RESOLUTION TO ADOPT FEE STRUCTURE

A RESOLUTION TO ADOPT A FEE STRUCTURE FOR THE AUGMENTATION
ENTERPRISE FUND
FOR THE SAN LUIS VALLEY WATER CONSERVANCY DISTRICT, COLORADO,
FOR CALENDAR YEAR 2008

WHEREAS, the Board of Directors of the San Luis Valley Water Conservancy District has appointed M. Dee Greeman to prepare and submit a proposed Fee Structure to said governing body at the proper time, and;

WHEREAS, M. Dee Greeman submitted a proposed Fee Structure to this governing body on October 18, 2007 for its consideration; and

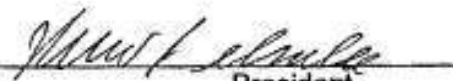
WHEREAS, upon due and proper notice published or posted in accordance with law, said proposed Fee Structure was open for inspection by the public at a designated place, and a Public Hearing was held on October 18, 2007 and interested tax payers were given the opportunity to file or register any objections to said proposed Fee Structure.

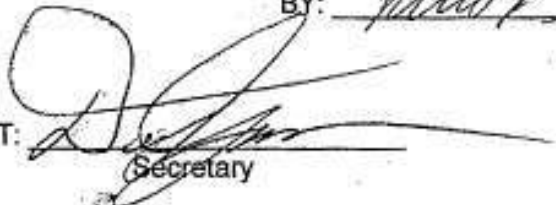
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN LUIS VALLEY WATER CONSERVANCY DISTRICT, COLORADO:

That the Fee Structure, attached hereto, as submitted, hereby is Approved and Adopted as the Annual Fee Structure of the San Luis Valley Water Conservancy District effective January 1, 2007. This Fee Structure is subject to change upon future action by the Board of Directors of the San Luis Valley Water Conservancy District.

Adopted this 18th day of October 2007.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT

BY: 
President

ATTEST: 
Secretary

Resolution No. 2007 - 05
Adoptn. of Fee Structure for 2008
Page 1 of 3

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
RESOLUTION NO: 2007 - 05 TO ADOPT FEE STRUCTURE
ADMINISTRATION FEES EFFECTIVE JANUARY 1, 2008

- Issuance of Agreement & Augmentation Certificate \$350.00
- Processing of Petition of Inclusion of Land within the
District's Boundaries \$650.00

SALE PRICE OF AUGMENTATION WATER EFFECTIVE JANUARY 1, 2008

- For Agreement & Augmentation Certificates \$15,000.00 per acre foot
- For One -Time Sales \$ 2, 000.00 per acre foot

**ANNUAL OPERATING / MAINTENANCE FEES FOR EXISTING AND NEW
AUGMENTATION WATER SALES***

1. For a Private Individual Home, with Irrigation & Livestock: \$150.00
2. For Commercial Use of Less than 1.0000 Acre Feet: \$350.00
3. Fee Formula for any Quantity of Augmentation Water
1.000 acre feet or more = \$300.00 + (\$200.00 x # Acre Feet)
Calculated to the nearest \$100.00

THE FOLLOWING TABLE GIVES EXAMPLES

<u>Acre Feet of Augmentation Water</u>	<u>Base \$</u>	<u>(Acre Feet x \$200.00) \$</u>	<u>TOTAL \$</u>
1.5000	\$300.00	\$300.00	\$600.00
2.0000	\$300.00	\$400.00	\$700.00
5.0000	\$300.00	\$1,000.00	\$1,300.00
10.0000	\$300.00	\$2,000.00	\$2,300.00
25.0000	\$300.00	\$5,000.00	\$5,300.00
50.0000	\$300.00	\$10,000.00	\$10,300.00

* SEE BELOW FOR EXCEPTIONS AND SPECIFIC CONTRACTS AND AGREEMENTS

Resolution No. 2007 - 05
Adoptn. of Fee Structure for 2008
Page 2 of 3

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
RESOLUTION NO: 2006 - 05 TO ADOPT FEE STRUCTURE

FOR SPECIFIC EXISTING
AGREEMENT & AUGMENTATION CERTIFICATES & CONTRACTS

1. LaSoleil, LLC: Agreement & Augmentation Certificate # 401:

2008 @ \$4,000.00 and 2009 @ \$5,000.00.
2010 Through 2030 shall be fixed at \$5,000.00 per year,
plus an annual increase beginning in 2010 at a rate no
greater than the annual percentage change in the index
known as the United States Bureau of Labor Statistics
(or any Index which replaces It if it is no longer published),
Consumer Price Index, for All Urban Consumers, All
Items for Denver-Boulder- Greeley, Colorado.

2. Town of Center - As a Municipality - Contract Dated April 25, 1994:

<u>YEAR</u>	<u>ANNUAL FEE</u>
2008	\$800.00
2009	\$900.00
2010	\$1,000.00
2011	\$1,100.00
2012	\$1,200.00
2013	\$1,300.00
2014	\$1,400.00
2015	\$1,500.00

3. Leavell-McCombs - Contract Dated May 24, 1991 & Subsequent
Amendments as of October 20, 2005, and February 6, 2006

2008	\$8,000.00
2009	\$10,000.00

2010 through 2030 shall be fixed at \$10,000.00 per year,
plus an annual increase beginning in 2010 at a rate no
greater than the annual percentage change in the index
known as the United States Bureau of Labor Statistics
(or any Index, which replaces it if it is no longer published),
Consumer Price Index, for all urban consumers, all
items for Denver-Boulder-Greeley, Colorado. In no event will
the annual fee be lower than the fee charged for the immediately
preceding year.

THE END

Resolution No. 2007 - 05
Adoptn. of Fee Structure for 2008
Page 3 of 3

Amortization Schedule Input Form

INPUT

\$923,000 Total Project
 \$830,700 Loan Request
 \$8,307 1%
 \$839,007 Total w/ service fee
 \$92,300 Borrower Match

Borrower Name

Project Name

Loan Amount

Loan Type (Ag, Low, Med, High, Com)

Interest Rate (30-year term)

Results				
Loan Term	Interest Rate	Annual Loan Payment	Total Loan Payout	Reserve Account
10	2.00%	\$93,404	\$934,037	\$9,340.37
15	2.25%	\$66,524	\$997,854	\$6,652.36
20	2.25%	\$52,557	\$1,051,143	\$5,255.71
25	2.50%	\$45,538	\$1,138,447	\$4,553.79
30	2.50%	\$40,000	\$1,202,573	\$4,008.58
				\$44,094.35

Interest Rate for 10, 15 & 20-yr loan is automatically reduced

APPENDIX D

AUDIT REPORTS

**SAN LUIS VALLEY
WATER CONSERVANCY DISTRICT**

FINANCIAL STATEMENTS

December 31, 2009

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
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December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Luis Valley Water Conservancy District
Alamosa, Colorado 81101

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of San Luis Valley Water Conservancy District (the District), as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the District, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Major Special Revenue Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

April 13, 2010

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF NET ASSETS
December 31, 2009

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 137,622	\$ 880,404	\$ 1,018,026
Cash Reserved for CWCB Loan	-	39,539	39,539
Accounts Receivable	1,292	26,176	27,468
Allowance for Bad Debt	-	(11,585)	(11,585)
Inventory:			
Water Rights	-	133,012	133,012
Water Rights in Process	-	900,716	900,716
Due from Business-Type Activities	9,218	-	9,218
Due from Other Governments	16,455	-	16,455
Prepaid Items	8,017	-	8,017
Property Taxes Receivable	135,423	-	135,423
Accrued Interest Receivable	4,739	-	4,739
Capital Assets:			
Machinery and Equipment	-	9,528	9,528
Less Accumulated Depreciation/Depletion	-	(9,528)	(9,528)
TOTAL ASSETS	312,766	1,968,262	2,281,028
LIABILITIES			
Accounts Payable	1,607	17,547	19,154
Due to Governmental Activities	-	9,218	9,218
Deferred Revenue	135,423	60,936	196,359
Long-term liabilities			
Due within one year	-	14,087	14,087
Due in more than one year	-	713,113	713,113
TOTAL LIABILITIES	137,030	814,901	951,931
NET ASSETS			
Restricted for:			
TABOR	3,882	-	3,882
Unrestricted	171,854	1,153,361	1,325,215
TOTAL NET ASSETS	\$ 175,736	\$ 1,153,361	\$ 1,329,097

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Functions/Programs Primary Government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 127,359	\$ -	\$ -	\$ (127,359)	\$ -	\$ (127,359)
Foundation	163,287	137,098	-	(26,189)	-	(26,189)
Total Governmental Activities	290,646	137,098	-	(153,548)	-	(153,548)
Business-Type Activities:						
Enterprise Fund	230,707	350,266	-	-	119,559	119,559
Total Business-Type Activities	230,707	-	-	-	119,559	119,559
Total Primary Government	\$ 521,353	\$ 137,098	\$ -	\$ (153,548)	\$ 119,559	\$ (33,989)
General Revenues:						
Taxes - Net				148,335	-	148,335
Interest on Investments				3,065	18,418	21,483
Other Revenue				-	4,988	4,988
Total General Revenues				151,400	23,406	174,806
Change in Net Assets						
Net Assets - Beginning, as previously stated				(2,148)	142,965	140,817
Prior Period Adjustment				-	1,132,946	1,310,830
Net Assets - Beginning, as restated				177,884	(122,550)	(122,550)
Net Assets - Ending				177,884	1,010,396	1,188,280
				\$ 175,736	\$ 1,153,361	\$ 1,329,097

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009

	GENERAL FUND	COLORADO RIO GRANDE RESTORATION FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash in Bank	\$ 122,761	\$ 14,861	\$ 137,622
Due From Other Governments	1,106	15,349	16,455
Due From RGWCD	-	1,292	1,292
Due From Enterprise Fund	9,218	-	9,218
Prepaid Items	8,017	-	8,017
Property Taxes Receivable	135,423	-	135,423
Accrued Interest Receivable	4,739	-	4,739
TOTAL ASSETS	\$ 281,264	\$ 31,502	\$ 312,766
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 1,276	\$ 331	\$ 1,607
Deferred Revenue	135,423	-	135,423
TOTAL LIABILITIES	136,699	331	137,030
FUND BALANCE			
Reserved for Tabor	3,882	-	3,882
Unreserved			
Undesignated reported in:			
General Fund	140,683	-	140,683
Special Revenue Fund	-	31,171	31,171
TOTAL FUND BALANCE	144,565	31,171	175,736
TOTAL LIABILITIES AND FUND BALANCE	\$ 281,264	\$ 31,502	\$ 312,766

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	GENERAL FUND	COLORADO RIO GRANDE RESTORATION FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes			
Current Property Taxes, Net	\$ 129,578	\$ -	\$ 129,578
Delinquent Taxes and Interest	629	-	629
Specific Ownership Taxes	18,128	-	18,128
Total Taxes	<u>148,335</u>	<u>-</u>	<u>148,335</u>
Other Revenue			
Grant Revenue	-	117,462	117,462
Cash Contributions	-	10,000	10,000
CCPI Project Revenue	-	9,636	9,636
Interest Earned	2,802	263	3,065
Total Other Revenue	<u>2,802</u>	<u>137,361</u>	<u>140,163</u>
TOTAL REVENUES	<u>151,137</u>	<u>137,361</u>	<u>288,498</u>
EXPENDITURES			
Salaries and Fringe	56,289	28,742	85,031
Director's Fees	9,000	-	9,000
Travel	8,419	-	8,419
Administration	19,525	3,294	22,819
Professional Services	18,488	170	18,658
Insurance	3,498	2,560	6,058
Accounting	-	1,370	1,370
Other	7,700	1,647	9,347
Saguache Creek Maintenance	4,000	-	4,000
Equipment	440	-	440
Watershed Expenses	-	639	639
Stabilization Expenses	-	118,403	118,403
CREP Expenses	-	6,462	6,462
TOTAL EXPENDITURES	<u>127,359</u>	<u>163,287</u>	<u>290,646</u>
Excess (deficiency) of revenues over expenditures	<u>23,778</u>	<u>(25,926)</u>	<u>(2,148)</u>

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	GENERAL FUND	COLORADO RIO GRANDE RESTORATION FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	(22,233)	-	(22,233)
Transfers from Other Funds	-	22,233	22,233
TOTAL OTHER FINANCING SOURCES (USES)	(22,233)	22,233	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	1,545	(3,693)	(2,148)
Fund Balance at beginning of year	143,020	34,864	177,884
Fund Balance at end of year	\$ 144,565	\$ 31,171	\$ 175,736

2006, the District began negotiations with RIR, pursuant to its policy discussed above, to acquire sufficient water from RIR to provide augmentation water for the proposed wells in the development and to purchase the excess augmentation water identified in the HRS' engineering study. An agreement was reached, but not long after, RIR began experiencing financial difficulty due to the down turn in the real estate market. Eventually, Tom Smith foreclosed on the RIR property. The District then initiated negotiations with Tom Smith to assure its ability to meet the augmentation needs of the development, particularly those who had purchased individual lots. These negotiations have been successful and the District has agreed that it will receive 46.92 acre-feet of consumptive use water derived from the Anaconda Ditch water rights for inclusion in its Augmentation Program. Of that amount, the District will allocate 21.27 acre-feet for augmentation of the currently platted development on the ranch. The remaining 25.65 acre-feet becomes part of the District's Augmentation Program inventory for its future use. After the District completes the change of the Anaconda Ditch water rights for use in its Augmentation Program, it will purchase the remaining water.

HRS estimates that an average of approximately 307 acre-feet of augmentation water will be available annually from the Anaconda Ditch water rights. Of that amount approximately 47 acre-feet have been conveyed to the District, leaving approximately 260 acre-feet to be purchased by the District. Pursuant to its agreement with Tom Smith, the current purchase price is \$3,550 per acre-foot of average annual consumptive use, for a total of \$923,000. The actual annual yield of the Anaconda Ditch water rights, and the total cost of those rights will be determined in the Change Case.

3.1.2.2 Description and Yield of Water Rights

The yield of the Anaconda Ditch water rights is generally described above. A thorough description and yield of the Anaconda water rights is presented in a report "Historical Consumptive Use Analysis and Augmentation Plan Operations Report for the Anaconda Ditch Water Rights Used on the River Island Ranch" prepared by HRS, August 2010 a copy of which will be provided upon request.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
COLORADO RIO GRANDE RESTORATION
FOUNDATION FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Grant Revenue	\$ -	\$ -	\$117,462	\$ 117,462
Cash Contributions	-	-	10,000	10,000
CCPI Project Revenue	-	-	9,636	9,636
Interest Earned	-	-	263	263
TOTAL REVENUES	-	-	137,361	137,361
EXPENDITURES				
Salary and Fringe	-	-	28,742	(28,742)
Administration	-	-	3,294	(3,294)
Watershed Expenditures	-	-	639	(639)
Stabilization Expenditures	-	-	118,403	(118,403)
CREP Expenditures	-	-	6,462	(6,462)
Insurance	-	-	2,560	(2,560)
Professional Services	-	-	170	(170)
Accounting	-	-	1,370	(1,370)
Other	-	-	1,647	(1,647)
TOTAL EXPENDITURES	-	-	163,287	(163,287)
Excess (deficiency) of revenues over expenditures	-	-	(25,926)	(25,926)
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	-	22,233	22,233
TOTAL OTHER FINANCING SOURCES (USES)	-	-	22,233	22,233
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	(3,693)	(3,693)
Fund Balance at beginning of year	-	-	34,864	34,864
Fund Balance at end of year	\$ -	\$ -	\$ 31,171	\$ 31,171

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUND
STATEMENT OF NET ASSETS
December 31, 2009

ASSETS	2009
Current Assets	
Cash and Cash Equivalents	\$ 880,404
Cash Reserved for CWCB Loan	39,539
Accounts Receivable	26,176
Allowance for Bad Debt	(11,585)
Inventory:	
Water Rights	133,012
Water Rights in Process	900,716
Total Current Assets	1,968,262
Capital Assets	
Machinery and Equipment	9,528
Less Accumulated Depreciation/Depletion	(9,528)
Total Capital Assets	-
TOTAL ASSETS	1,968,262
LIABILITIES	
Current Liabilities	
Accounts Payable	17,547
Due to General Fund	9,218
Current Portion Notes Payable	14,087
Deferred Revenue	60,936
Total Current Liabilities	101,788
Long Term Liabilities	
Notes Payable	713,113
Total Long Term Liabilities	713,113
TOTAL LIABILITIES	814,901
NET ASSETS	
Unrestricted	1,153,361
TOTAL NET ASSETS	\$ 1,153,361

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2009

	<u>2009</u>
OPERATING REVENUE	
Sale of Water	\$ 183,287
Cost of Water Sold	<u>(16,895)</u>
Net Sale of Water	166,392
Administration Revenue	11,125
Water Maintenance Fees	172,749
Other	<u>4,988</u>
Total operating revenue	<u>355,254</u>
OPERATING EXPENSES	
Salary and Fringe	24,350
Professional Services	69,846
Project Maintenance	53,982
Recharge Project	1,448
Reservoir Storage Rent	65,415
Bad Debt Expense	6,208
Other	<u>621</u>
Total operating expenses	<u>221,870</u>
Operating income (loss)	<u>133,384</u>
NONOPERATING REVENUE (EXPENSES)	
Interest Income	18,418
Interest Expense	<u>(8,837)</u>
Total nonoperating revenue (expenses)	<u>9,581</u>
Net Increase (Decrease) in Net Assets	142,965
Net Assets at beginning of year as previously stated	<u>1,132,946</u>
Prior Period Adjustment	(122,550)
Net Assets at beginning of year, restated	<u>1,010,396</u>
Net Assets at end of year	<u><u>\$ 1,153,361</u></u>

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from water sales	\$ 153,232
Cash received from maintenance fees	172,749
Cash received from administrative fees	11,125
Cash received from other	4,988
Cash paid for water acquisition	(736,603)
Cash paid for salaries and fringe	(24,350)
Cash paid for professional services	(58,240)
Cash paid for project maintenance	(53,982)
Cash paid for recharge project	(1,448)
Cash paid for reservoir storage rent	(65,415)
Cash paid for other expenses	(621)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(598,565)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Interest expense	(8,837)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(8,837)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	18,418
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>18,418</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(588,984)
Cash and Cash Equivalents, Beginning of Year	<u>1,508,927</u>
Cash and Cash Equivalents, End of Year	<u>\$ 919,943</u>
Operating Income	\$ 133,384
Adjustments to Reconcile Net Income to	
Net Cash Provided by Operating Activities:	
(Increase) Decrease in Accounts Receivable	(6,952)
(Increase) Decrease in Water Inventory	(736,603)
Increase (Decrease) in Due To Other Funds	(5,941)
Increase (Decrease) in Accounts Payable	17,547
Total Adjustments	<u>(731,949)</u>
Net Cash Provided by Operating Activities	<u>\$ (598,565)</u>
Non Cash Items	
Increase in Allowance for Bad Debt	\$ 6,208

See Notes to the Basic Financial Statements

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The San Luis Valley Water Conservancy District was formed in accordance with Colorado Statute 148-1-1 on November 14, 1949. The District is governed by a Board of Directors who are appointed by the 12th Judicial District Judge.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District.

Based on the aforementioned criteria, the Colorado Rio Grande Restoration Foundation, a separate legal entity, was blended in the financial statements as a special revenue fund. There are no other component units included in the financial statements of the District, since no others were discovered to fall within the oversight responsibility based on the proceeding criteria.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the District. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column.

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. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, 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 as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The *General Fund* is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Foundation Fund* is the fund that accounts for the revenues and expenditures for the restoration, improvement, preservation, and protection of the Rio Grande River, its riparian areas, related plant and animal life, and other natural resources, to the benefit of users of the Rio Grande River and its communities.

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

position, and cash flows. The District's only proprietary fund is the Enterprise Fund, used to account for the District's water rights, water sales, and water purchases. Revenues are derived from District's water sales and maintenance fees. Expenses include the cost of water sold, water storage fees, and professional services.

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- Current year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are accrued.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities subject to this same limitation.

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 a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit and liquid investments with maturity of three months or less.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The District's property taxes are collected by the County Treasurer who remits monthly receipts to the District. The District receives property tax from Alamosa, Rio Grande, Mineral, Hinsdale, and Saguache County. Property tax revenue is recognized when received by the County Treasurer.

Uncollected property taxes that became an enforceable lien January 1, 2010 has been recorded in the financial statements as an asset and a corresponding deferred revenue.

Receivables/Payables From Other District Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds."

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

Inventories

Purchased inventories are stated at cost and consist of water rights and augmentation plans owned by the District.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital Assets consist of equipment in the applicable governmental activities and business-type columns in the Government-wide Financial Statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the estimated useful lives of 5-20 years.

GASBS No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, ditches, canals, etc. These infrastructure assets are likely to be the largest asset class of the District. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The District is not subject to retroactive reporting of infrastructure.

Fund Equity

In the fund financial statements, reserved fund balances indicate that a portion of fund equity is not available for appropriation or is legally restricted for use by outside parties for a specific purpose. Fund reservations include TABOR (discussed later). Designated fund balances indicate tentative plans for future use. Undesignated fund balances indicate that a portion of fund equity is available for budgeting in future periods.

Encumbrances

The District does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The San Luis Valley Water Conservancy District follows the procedures outlined in the Financial Management Manual – A Guide for Colorado Local Governments – when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 1 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The District did adopt supplemental appropriations during fiscal year 2009.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget if applicable.

Stewardship

The Colorado Rio Grande Restoration Foundation is a 501(c)(3) nonprofit, therefore no budget was adopted during 2009.

NOTE 3 CASH AND DEPOSITS

A summary of Cash for the District is as follows:

Cash in Banks and on Hand	<u>\$ 1,057,565</u>
Total cash and deposits on the Statement of Net Assets	<u>\$ 1,057,565</u>

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

Custodial Credit Risk – Deposits

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 does not have a deposit policy for custodial credit risk. As of year-end, \$228,456 of the district's bank balance of \$1,069,410 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2009, the District had an estimated property tax receivable for the General Fund of approximately \$135,423.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2009, consisted of the following:

Enterprise Fund - Assessments Receivable	\$ 26,176
Foundation Fund - Accounts Receivable	<u>1,292</u>
Total Accounts Receivable	<u>\$ 27,468</u>

NOTE 6 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of December 31, 2009, the District had \$16,455 due from Federal, State, or Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The District reports Interfund balances between its funds. The balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund receivable and payable balances at December 31, 2009 were \$9,218.

Interfund Transfers

Interfund transfers for the year ended December 31, 2009, were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	
General Fund	Foundation Fund	\$ 22,233
Total		<u>\$ 22,233</u>

These transfers were made to subsidize the Foundation Fund.

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>BALANCE</u> <u>12/31/2008</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/2009</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Equipment	\$ 9,528	\$ -	\$ -	\$ 9,528
Total capital assets being depreciated	<u>9,528</u>	<u>-</u>	<u>-</u>	<u>9,528</u>
Less accumulated depreciation for:				
Equipment	9,528	-	-	9,528
Total accumulated depreciation	<u>9,528</u>	<u>-</u>	<u>-</u>	<u>9,528</u>
Total Capital Assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 9 LONG-TERM LIABILITIES

Changes in Long-Term Debt

During the year ending December 31, 2008, The Colorado Water Conservation Board loaned the District \$727,200, including a loan origination fee of 1%, or \$7,200, at an interest rate of 3.50% per annum for a repayment term of 30 years, in annual installments of \$39,539 per year, including interest. Final payment is due May 1, 2039. This loan was to acquire water rights for the District's augmentation program. The loan is secured with all water activity enterprise revenue pledged to repay the loan.

The following summarizes the District's long-term liabilities for the year ended December 31, 2009:

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2009</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Colorado Water Conservation Board	\$ 727,200	\$ -	\$ -	\$ 727,200	\$ 14,087
	<u>\$ 727,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 727,200</u>	<u>\$ 14,087</u>

The annual Long-Term debt for the Business-Type Activities is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 14,087	\$ 25,452	\$ 39,539
2011	14,580	24,959	39,539
2012	15,090	24,449	39,539
2013	15,618	23,921	39,539
2014	16,165	23,374	39,539
2015-2019	89,718	107,976	197,694
2020-2024	106,556	91,138	197,694
2025-2029	126,556	71,138	197,694
2030-2034	150,308	47,386	197,694
2035-2039	178,522	19,172	197,694
	<u>\$ 727,200</u>	<u>\$ 458,965</u>	<u>\$ 1,186,165</u>

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 10 DEFINED BENEFIT PENSION PLAN

Plan Description

San Luis Valley Water Conservancy District contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan, and to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post-employment healthcare plan. Both the LGDTF and the HCTF are administered by the Public Employees' Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. The HCTF provides a healthcare premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF and HCTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at (303) 832-9550 or 1-800-759-PERA (7372).

Funding Policy

The San Luis Valley Water Conservancy District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for the District it is 10.00 percent of covered salary. A portion of the District's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund. If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree; however no member contributions are required. For the years ending December 31, 2009, 2008 and 2007 the District's employer contributions to the LGDTF and HCTF were \$12,183, \$11,210, and \$9,204 respectively, equal to their required contribution for each year.

NOTE 11 TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending. This Emergency Reserve has been presented as a reservation of fund balance in the General Fund. The entity is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

NOTE 12 RISK MANAGEMENT

The District 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. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. There have been no claims from these risks for the current year or the three prior years.

NOTE 13 PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was required with a net effect of \$122,550 to net assets. The adjustment was made for the following reason.

The December 31, 2008 financial statements indicated a balance of \$122,550 in "other accounts receivable" in the Enterprise Fund. This receivable balance was based on an agreement with River Island Ranch regarding the acquisition of water rights. However, in December 2008, this agreement was replaced by a new contract with River Island Ranch. Based on the terms of the new contract, this is no longer a valid receivable and should have been written off in 2008.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL - NON GAAP
For the Year Ended December 31, 2009

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
OPERATING REVENUE				
Sale of Water	\$ 60,000	\$ 60,000	\$ 183,287	\$ 123,287
Administration Revenue	12,000	12,000	11,125	(875)
Water Maintenance Fees	175,520	175,520	172,749	(2,771)
Other	-	-	4,988	4,988
Total operating revenue	247,520	247,520	372,149	124,629
OPERATING EXPENSES				
Salary and Fringe	24,580	24,580	24,350	230
Professional Services	160,000	165,000	69,846	95,154
Project Maintenance	32,000	55,000	53,982	1,018
Recharge Project	2,000	2,000	1,448	552
Reservoir Storage Rent	64,000	66,000	65,415	585
Bad Debt Expense	-	-	6,208	(6,208)
Water Acquisition	343,500	313,500	16,895	296,605
Other	2,000	2,000	621	1,379
Total operating expenses	628,080	628,080	238,765	389,315
Operating income (loss)	(380,560)	(380,560)	133,384	513,944
NONOPERATING REVENUE (EXPENSES)				
Interest on Investments	41,890	41,890	18,418	(23,472)
Interest Expense	-	-	(8,837)	(8,837)
Total nonoperating revenue (expenses)	41,890	41,890	9,581	(32,309)
Net Income (Loss)	(338,670)	(338,670)	142,965	\$ 481,635
Net Assets at beginning of year as previously stated	854,630	854,630	1,132,946	
Prior Period Adjustment	-	-	(122,550)	
Net Assets at beginning of year restated	854,630	854,630	1,010,396	
Net Assets at end of year	\$ 515,960	\$ 515,960	\$ 1,153,361	

**SAN LUIS VALLEY
WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS**

December 31, 2010



**Wall, Smith, Bateman
and Associates, Inc.**

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Luis Valley Water Conservancy District
Alamosa, Colorado 81101

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of San Luis Valley Water Conservancy District (the District), as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the San Luis Valley Water Conservancy District, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 20 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The report included as Other Supplementary Information in the table of contents is the responsibility of management and was derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado
May 13, 2011

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF NET ASSETS
December 31, 2010

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 217,184	\$ 889,352	\$ 1,106,536
Cash Reserved for CWCB Loan	-	39,539	39,539
Accounts Receivable	1,292	100,916	102,208
Allowance for Bad Debt	-	(11,585)	(11,585)
Inventory:			
Water Rights	-	126,637	126,637
Water Rights in Process	-	959,464	959,464
Due from Business-Type Activities	14,794	-	14,794
Due from Other Governments	71,182	-	71,182
Prepaid Items	8,641	-	8,641
Property Taxes Receivable	130,214	-	130,214
Accrued Interest Receivable	-	3,311	3,311
Capital Assets:			
Machinery and Equipment	-	9,528	9,528
Less Accumulated Depreciation/Depletion	-	(9,528)	(9,528)
TOTAL ASSETS	443,307	2,107,634	2,550,941
LIABILITIES			
Accounts Payable	110,469	6,977	117,446
Due to Governmental Activities	-	14,794	14,794
Deferred Revenue	130,214	60,936	191,150
Long-term liabilities			
Due within one year	-	14,580	14,580
Due in more than one year	-	698,533	698,533
TOTAL LIABILITIES	240,683	795,820	1,036,503
NET ASSETS			
Restricted for:			
TABOR	3,882	-	3,882
Unrestricted	198,742	1,311,814	1,510,556
TOTAL NET ASSETS	\$ 202,624	\$ 1,311,814	\$ 1,514,438

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Functions/Programs Primary Government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 126,487	\$ -	\$ -	\$ (126,487)	\$ -	\$ (126,487)
Foundation	381,340	385,388	-	4,048	-	4,048
Total Governmental Activities	507,827	385,388	-	(122,439)	-	(122,439)
Business-Type Activities:						
Enterprise Fund	216,578	360,780	-	-	144,202	144,202
Total Business-Type Activities	216,578	360,780	-	-	144,202	144,202
Total Primary Government	\$ 724,405	\$ 385,388	\$ -	\$ (122,439)	\$ 144,202	\$ 21,763
General Revenues:						
Taxes - Net				146,784	-	146,784
Interest on Investments				2,543	14,251	16,794
Total General Revenues				149,327	14,251	163,578
Change in Net Assets						
Net Assets - Beginning				26,888	158,453	185,341
				175,736	1,153,361	1,329,097
Net Assets - Ending				\$ 202,624	\$ 1,311,814	\$1,514,438

See Notes to the Basic Financial Statements

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010

	GENERAL FUND	COLORADO RIO GRANDE RESTORATION FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash in Bank	\$ 122,883	\$ 94,301	\$ 217,184
Due From Other Governments	1,106	70,076	71,182
Due From Rio Grande Water Conservation District	-	1,292	1,292
Due From Enterprise Fund	14,794	-	14,794
Prepaid Items	8,641	-	8,641
Property Taxes Receivable	130,214	-	130,214
TOTAL ASSETS	\$ 277,638	\$ 165,669	\$ 443,307
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 3,183	\$ 107,286	\$ 110,469
Deferred Revenue	130,214	-	130,214
TOTAL LIABILITIES	133,397	107,286	240,683
FUND BALANCE			
Reserved for Tabor	3,882	-	3,882
Unreserved			
Undesignated reported in:			
General Fund	140,359	-	140,359
Special Revenue Fund	-	58,383	58,383
TOTAL FUND BALANCE	144,241	58,383	202,624
TOTAL LIABILITIES AND FUND BALANCE	\$ 277,638	\$ 165,669	\$ 443,307

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	GENERAL FUND	COLORADO RIO GRANDE RESTORATION FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes			
Current Property Taxes, Net	\$ 130,949	\$ -	\$ 130,949
Delinquent Taxes and Interest	243	-	243
Specific Ownership Taxes	15,592	-	15,592
	<u>146,784</u>	<u>-</u>	<u>146,784</u>
Total Taxes			
Other Revenue			
Grant Revenue	-	335,667	335,667
Cash Contributions	-	49,721	49,721
Interest Earned	2,326	217	2,543
	<u>2,326</u>	<u>385,605</u>	<u>387,931</u>
Total Other Revenue			
TOTAL REVENUES	<u>149,110</u>	<u>385,605</u>	<u>534,715</u>
EXPENDITURES			
Salaries and Fringe	55,955	38,840	94,795
Director's Fees	9,100	-	9,100
Travel	7,307	1,655	8,962
Administration	21,748	3,629	25,377
Professional Services	19,285	515	19,800
Insurance	5,078	2,189	7,267
Accounting	-	1,365	1,365
Other	8,014	746	8,760
Stabilization Expenses	-	326,048	326,048
Conservation Reserve Enhancement Program Expenses	-	6,353	6,353
	<u>126,487</u>	<u>381,340</u>	<u>507,827</u>
TOTAL EXPENDITURES			
Excess (deficiency) of revenues over expenditures	<u>22,623</u>	<u>4,265</u>	<u>26,888</u>

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	GENERAL FUND	COLORADO RIO GRANDE RESTORATION FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	(22,947)	-	(22,947)
Transfers from Other Funds	-	22,947	22,947
TOTAL OTHER FINANCING SOURCES (USES)	(22,947)	22,947	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(324)	27,212	26,888
Fund Balance at beginning of year	144,565	31,171	175,736
Fund Balance at end of year	<u>\$ 144,241</u>	<u>\$ 58,383</u>	<u>\$ 202,624</u>

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUND
STATEMENT OF NET ASSETS
December 31, 2010

ASSETS	2010
Current Assets	
Cash and Cash Equivalents	\$ 889,352
Cash Reserved for CWCB Loan	39,539
Accounts Receivable	100,916
Allowance for Bad Debt	(11,585)
Accrued Interest Receivable	3,311
Inventory:	
Water Rights	126,637
Water Rights in Process	959,464
Total Current Assets	2,107,634
Capital Assets	
Machinery and Equipment	9,528
Less Accumulated Depreciation	(9,528)
Total Capital Assets	-
TOTAL ASSETS	2,107,634
LIABILITIES	
Current Liabilities	
Accounts Payable	6,977
Due to General Fund	14,794
Current Portion Note Payable - CWCB	14,580
Deferred Revenue	60,936
Total Current Liabilities	97,287
Long Term Liabilities	
Note Payable - CWCB	698,533
Total Long Term Liabilities	698,533
TOTAL LIABILITIES	795,820
NET ASSETS	
Unrestricted	1,311,814
TOTAL NET ASSETS	\$ 1,311,814

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2010

	<u>2010</u>
OPERATING REVENUE	
Sale of Water	\$ 157,150
Cost of Water Sold	(6,376)
Net Sale of Water	<u>150,774</u>
Administration Revenue	12,804
Water Maintenance Fees	<u>197,202</u>
Total operating revenue	<u>360,780</u>
OPERATING EXPENSES	
Salary and Fringe	24,650
Professional Services	30,284
Project Maintenance	42,570
Recharge Project	3,285
Reservoir Storage Rent	89,687
Other	<u>650</u>
Total operating expenses	<u>191,126</u>
Operating income (loss)	<u>169,654</u>
NONOPERATING REVENUE (EXPENSES)	
Interest Income	14,251
Interest Expense	<u>(25,452)</u>
Total nonoperating revenue (expenses)	<u>(11,201)</u>
Net Increase (Decrease) in Net Assets	158,453
Net Assets at beginning of year	<u>1,153,361</u>
Net Assets at end of year	<u><u>\$ 1,311,814</u></u>

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

	2010
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from water sales	\$ 76,034
Cash received from maintenance fees	197,202
Cash received from administrative fees	12,804
Cash paid for water acquisition	(52,373)
Cash paid for salaries and fringe	(24,650)
Cash paid for professional services	(35,278)
Cash paid for project maintenance	(42,570)
Cash paid for recharge project	(3,285)
Cash paid for reservoir storage rent	(89,687)
Cash paid for other expenses	(650)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	37,547
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Interest paid on notes	(25,452)
Principal paid on notes	(14,087)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(39,539)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	10,940
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	10,940
Net Increase (Decrease) in Cash and Cash Equivalents	8,948
Cash and Cash Equivalents, Beginning of Year	919,943
Cash and Cash Equivalents, End of Year	\$ 928,891
Operating Income	\$ 169,654
Adjustments to Reconcile Net Income to	
Net Cash Provided by Operating Activities:	
(Increase) Decrease in Accounts Receivable	(74,740)
(Increase) Decrease in Water Inventory	(52,373)
Increase (Decrease) in Due to Other Funds	5,576
Increase (Decrease) in Accounts Payable	(10,570)
Total Adjustments	(132,107)
Net Cash Provided by Operating Activities	\$ 37,547

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the San Luis Valley Water Conservancy District (the District) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The San Luis Valley Water Conservancy District was formed in accordance with Colorado Statute 148-1-1 on November 14, 1949. The District is governed by a Board of Directors who are appointed by the 12th Judicial District Judge.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District.

Based on the aforementioned criteria, the Colorado Rio Grande Restoration Foundation, a separate legal entity, was blended in the financial statements as a special revenue fund. There are no other component units included in the financial statements of the District, since no others were discovered to fall within the oversight responsibility based on the proceeding criteria.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the District. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2010

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column.

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. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, 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 as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Foundation Fund** is the fund that accounts for the revenues and expenditures for the restoration, improvement, preservation, and protection of the Rio Grande River, its riparian areas, related plant and animal life, and other natural resources, to the benefit of users of the Rio Grande and its communities.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2010

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. The District's only proprietary fund is the Enterprise Fund, used to account for the District's water rights, water sales, and water purchases. Revenues are derived from the District's water sales and maintenance fees. Expenses include the cost of water sold, water storage fees, and professional services.

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- Current year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are accrued.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities subject to this same limitation.

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 a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit and liquid investments with an initial maturity of three months or less.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The District's property taxes are collected by the County Treasurer who remits monthly receipts to the District. The District receives property tax from Alamosa, Rio Grande, Mineral, Hinsdale, and Saguache County. Property tax revenue is recognized when received by the County Treasurer.

Uncollected property taxes that became an enforceable lien January 1, 2011 have been recorded in the financial statements as an asset and a corresponding deferred revenue.

Receivables/Payables From Other District Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds."

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2010

Inventories

Purchased inventories are stated at cost and consist of water rights and augmentation plans owned by the District.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital Assets consist of equipment in the applicable governmental activities and business-type columns in the Government-wide Financial Statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the estimated useful lives of 5-20 years.

GASBS No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, ditches, canals, etc. These infrastructure assets are likely to be the largest asset class of the District. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The District is not subject to retroactive reporting of infrastructure.

Fund Equity

In the fund financial statements, reserved fund balances indicate that a portion of fund equity is not available for appropriation or is legally restricted for use by outside parties for a specific purpose. Fund reservations include TABOR (discussed later). Designated fund balances indicate tentative plans for future use. Undesignated fund balances indicate that a portion of fund equity is available for budgeting in future periods.

Encumbrances

The District does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The San Luis Valley Water Conservancy District follows the procedures outlined in the Financial Management Manual – A Guide for Colorado Local Governments – when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 1 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The District did adopt supplemental appropriations during fiscal year 2010.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget if applicable.

Stewardship

The Colorado Rio Grande Restoration Foundation is a 501(c)(3) nonprofit, therefore no budget was adopted during 2010.

NOTE 3 CASH AND DEPOSITS

A summary of Cash for the District is as follows:

Cash in Banks and on Hand	<u>\$ 1,146,075</u>
Total cash and deposits on the Statement of Net Assets	<u>\$ 1,146,075</u>

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2010

Custodial Credit Risk – Deposits

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 does not have a deposit policy for custodial credit risk. As of year-end, \$326,500 of the District's deposits totaling \$1,239,722 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2010, the District had an estimated property tax receivable in the General Fund of approximately \$130,214.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2010, consisted of the following:

Enterprise Fund - Assessments Receivable	\$ 52,596
Enterprise Fund - Due from SLV Masonic	48,320
Foundation Fund - Accounts Receivable	<u>1,292</u>
Total Accounts Receivable	<u>\$ 102,208</u>

NOTE 6 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of December 31, 2010, the District had \$71,182 due from Federal, State, or Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2010

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The District reports interfund balances between many of its funds. The balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund receivable and payable balances at December 31, 2010 were as follows:

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 14,794
Total		<u>\$ 14,794</u>

Interfund Transfers

Interfund transfers for the year ended December 31, 2010, were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Foundation Fund	\$ 22,947
Total		<u>\$ 22,947</u>

These transfers were made to subsidize the Foundation Fund.

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>BALANCE</u> <u>12/31/2009</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/2010</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Equipment	\$ 9,528	\$ -	\$ -	\$ 9,528
Total capital assets being depreciated	<u>9,528</u>	<u>-</u>	<u>-</u>	<u>9,528</u>
Less accumulated depreciation for:				
Equipment	<u>9,528</u>	<u>-</u>	<u>-</u>	<u>9,528</u>
Total accumulated depreciation	<u>9,528</u>	<u>-</u>	<u>-</u>	<u>9,528</u>
Total Capital Assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2010

NOTE 10 DEFINED BENEFIT PENSION PLAN

Plan Description

San Luis Valley Water Conservancy District contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan, and to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post-employment healthcare plan. Both the LGDTF and the HCTF are administered by the Public Employees' Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. The HCTF provides a healthcare premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF and HCTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at (303) 832-9550 or 1-800-759-PERA (7372).

Funding Policy

The San Luis Valley Water Conservancy District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for the District it is 10.00 percent of covered salary. A portion of the District's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund. If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree; however no member contributions are required. For the years ending December 31, 2010, 2009 and 2008 the District's employer contributions to the LGDTF and HCTF were \$12,966, \$12,138, and \$11,210 respectively, equal to their required contribution for each year.

NOTE 11 TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending. This Emergency Reserve has been presented as a reservation of fund balance in the General Fund. The entity is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2010

NOTE 12 RISK MANAGEMENT

The District 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. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. There have been no claims from these risks for the current year or the three prior years.

**SAN LUIS VALLEY
WATER CONSERVANCY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2010

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes				
Current Property Taxes, Net	\$ 131,365	\$ 131,365	\$130,949	\$ (416)
Delinquent Taxes and Interest	450	450	243	(207)
Specific Ownership Taxes	20,000	20,000	15,592	(4,408)
Total Taxes	151,815	151,815	146,784	(5,031)
Miscellaneous Revenue				
Interest Earned	2,500	2,500	2,326	(174)
Total Miscellaneous Revenue	2,500	2,500	2,326	(174)
TOTAL REVENUES	154,315	154,315	149,110	(5,205)
EXPENDITURES				
Salaries and Fringe	58,180	57,430	55,955	1,475
Director's Fees	11,100	9,100	9,100	-
Travel	9,000	7,270	7,307	(37)
Office	18,640	22,190	21,748	442
Professional Services	19,000	19,600	19,285	315
Insurance	4,000	5,100	5,078	22
Other	6,425	6,625	8,014	(1,389)
Cooperative Projects	3,000	3,000	-	3,000
Equipment	1,770	1,000	-	1,000
TOTAL EXPENDITURES	131,115	131,315	126,487	4,828
Excess (deficiency) of revenues over expenditures	23,200	23,000	22,623	(377)
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	(23,200)	(23,000)	(22,947)	53
TOTAL OTHER FINANCING SOURCES (USES)	(23,200)	(23,000)	(22,947)	53
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	(324)	(324)
Fund Balance at beginning of year	-	-	144,565	144,565
Fund Balance at end of year	\$ -	\$ -	\$144,241	\$ 144,241

Notes Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
COLORADO RIO GRANDE RESTORATION
FOUNDATION FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2010**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Grant Revenue	\$ -	\$ -	\$335,667	\$ 335,667
Cash Contributions	-	-	49,721	49,721
Interest Earned	-	-	217	217
TOTAL REVENUES	-	-	385,605	385,605
EXPENDITURES				
Salary and Fringe	-	-	38,840	(38,840)
Administration	-	-	3,629	(3,629)
Watershed Expenditures	-	-	-	-
Stabilization Expenditures	-	-	326,048	(326,048)
CREP Expenditures	-	-	6,353	(6,353)
Insurance	-	-	2,189	(2,189)
Professional Services	-	-	515	(515)
Accounting	-	-	1,365	(1,365)
Other	-	-	2,401	(2,401)
TOTAL EXPENDITURES	-	-	381,340	(381,340)
Excess (deficiency) of revenues over expenditures	-	-	4,265	4,265
OTHER FINANCING SOURCES (USES)				
Transfer From Other Funds	-	-	22,947	22,947
TOTAL OTHER FINANCING SOURCES (USES)	-	-	22,947	22,947
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	27,212	27,212
Fund Balance at beginning of year	-	-	31,171	31,171
Fund Balance at end of year	\$ -	\$ -	\$ 58,383	\$ 58,383

Notes Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

**SAN LUIS VALLEY
WATER CONSERVANCY DISTRICT
OTHER SUPPLEMENTARY INFORMATION**

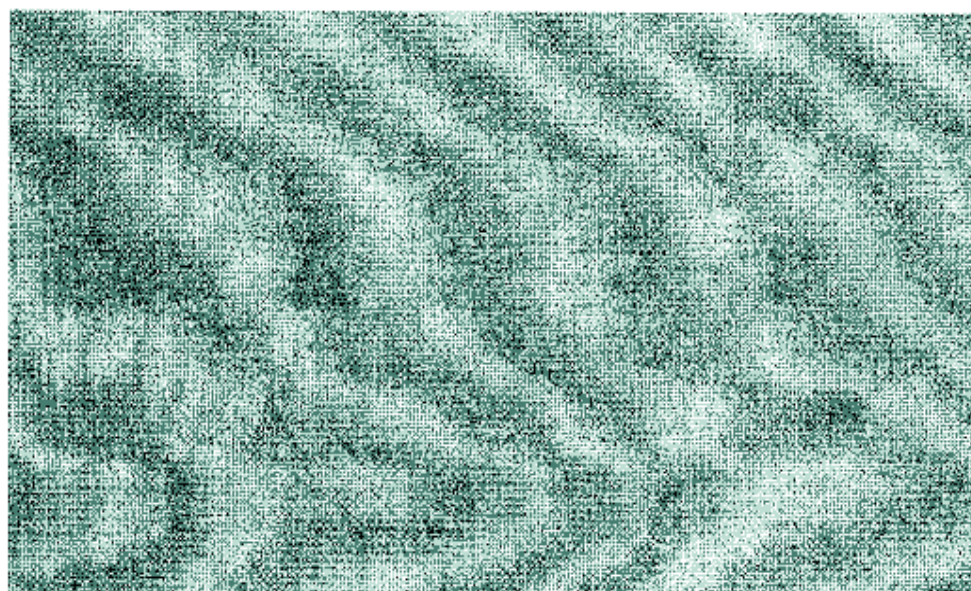
SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL - NON GAAP
For the Year Ended December 31, 2010

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
OPERATING REVENUE				
Sale of Water	\$ 45,000	\$ 45,000	\$ 157,150	\$ 112,150
Administration Revenue	11,500	11,500	12,804	1,304
Water Maintenance Fees	183,610	183,610	197,202	13,592
Total operating revenue	240,110	240,110	367,156	127,046
OPERATING EXPENSES				
Salary and Fringe	25,560	25,560	24,650	910
Professional Services	150,000	133,000	30,284	102,716
Project Maintenance	27,000	35,000	42,570	(7,570)
Recharge Project	500	2,000	3,285	(1,285)
Reservoir Storage Rent	90,000	90,000	89,687	313
Water Acquisition	342,500	350,000	6,376	343,624
Other	1,500	1,500	650	850
Total operating expenses	637,060	637,060	197,502	439,558
Operating income (loss)	(396,950)	(396,950)	169,654	566,604
NONOPERATING REVENUE (EXPENSES)				
Interest on Investments	20,620	20,620	14,251	(6,369)
Debt Principal Payment	-	-	(14,087)	(14,087)
Debt Interest Expense	(43,500)	(43,500)	(25,452)	18,048
Total nonoperating revenue (expenses)	(22,880)	(22,880)	(25,288)	(2,408)
Net Income - Budget Basis	(419,830)	(419,830)	144,366	\$ 564,196
Add: Principal Payment on Debt			14,087	
Net Income			158,453	
Net Assets at beginning of year	964,656	964,656	1,153,361	
Net Assets at end of year	\$ 544,826	\$ 544,826	\$ 1,311,814	

**SAN LUIS VALLEY
WATER CONSERVANCY DISTRICT**

FINANCIAL STATEMENTS

December 31, 2011



**Wall,
Smith,
Bateman Inc.**
Certified Public Accountants

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
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INDEPENDENT AUDITORS' REPORT



To the Board of Directors
San Luis Valley Water Conservancy District
Alamosa, Colorado 81101

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of San Luis Valley Water Conservancy District (the District), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the San Luis Valley Water Conservancy District, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 21 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The report included as Other Supplementary Information in the table of contents is the responsibility of management and was derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.

Alamosa, Colorado

April 18, 2012

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 179,504	\$ 1,216,711	\$ 1,396,215
Cash Reserved for CWCB Loan	-	39,539	39,539
Accounts Receivable	-	87,348	87,348
Allowance for Bad Debt	-	(16,950)	(16,950)
Inventory:			
Water Rights	-	110,505	110,505
Water Rights in Process	-	1,029,928	1,029,928
Due from Business-Type Activities	14,794	-	14,794
Due from Other Governments	30,490	-	30,490
Prepaid Items	5,050	-	5,050
Property Taxes Receivable	136,010	-	136,010
Accrued Interest Receivable	-	1,242	1,242
Capital Assets:			
Machinery and Equipment	-	9,528	9,528
Less Accumulated Depreciation/Depletion	-	(9,528)	(9,528)
TOTAL ASSETS	365,848	2,468,323	2,834,171
LIABILITIES			
Accounts Payable	7,048	13,667	20,715
Due to Governmental Activities	-	14,794	14,794
Deferred Revenue	136,010	-	136,010
Long-term liabilities			
Due within one year	-	15,090	15,090
Due in more than one year	-	683,443	683,443
TOTAL LIABILITIES	143,058	726,994	870,052
NET ASSETS			
Restricted for:			
TABOR	3,882	-	3,882
Unrestricted	218,908	1,741,329	1,960,237
TOTAL NET ASSETS	\$ 222,790	\$ 1,741,329	\$ 1,964,119

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 100,173	\$ -	\$ -	\$ -	\$(100,173)	\$ -	\$ (100,173)
Foundation	154,216	-	131,041	-	(23,175)	-	(23,175)
Total Governmental Activities	\$ 254,389	\$ -	\$ 131,041	\$ -	\$(123,348)	\$ -	\$ (123,348)
Business-Type Activities:							
Enterprise Fund	270,169	691,072	-	-	-	420,903	420,903
Total Business-Type Activities	270,169	691,072	-	-	-	420,903	420,903
Total Primary Government	\$524,558	\$ 691,072	\$ 131,041	\$ -	(123,348)	420,903	297,555
General Revenues:							
					141,531	-	141,531
					1,983	8,612	10,595
					143,514	8,612	152,126
					20,166	429,515	\$449,681
					202,624	1,311,814	1,514,438
					\$ 222,790	\$ 1,741,329	\$ 1,964,119

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011

	GENERAL FUND	COLORADO RIO GRANDE RESTORATION FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash in Bank	\$ 125,388	\$ 54,116	\$ 179,504
Due From Other Governments	1,106	29,384	30,490
Due From Other Funds	15,552	3,821	19,373
Prepaid Items	5,050	-	5,050
Property Taxes Receivable	136,010	-	136,010
TOTAL ASSETS	\$ 283,106	\$ 87,321	\$ 370,427
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 5,131	\$ 1,917	\$ 7,048
Due to Other Funds	3,821	758	4,579
Deferred Revenue	136,010	-	136,010
TOTAL LIABILITIES	144,962	2,675	147,637
FUND BALANCE			
Nonspendable:			
Prepaid Items	5,050	-	5,050
Restricted:			
TABOR Amendment Reserve	3,882	-	3,882
Assigned:			
Special Revenue Fund	-	84,646	84,646
Unassigned:			
General Fund	129,212	-	129,212
TOTAL FUND BALANCE	138,144	84,646	222,790
TOTAL LIABILITIES AND FUND BALANCE	\$ 283,106	\$ 87,321	\$ 370,427

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

	GENERAL FUND	COLORADO RIO GRANDE RESTORATION FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes			
Current Property Taxes, Net	\$ 127,275	\$ -	\$ 127,275
Delinquent Taxes and Interest	469	-	469
Specific Ownership Taxes	13,787	-	13,787
Total Taxes	141,531	-	141,531
Other Revenue			
Grant Revenue	-	109,520	109,520
Cash Contributions	-	21,521	21,521
Interest Earned	1,810	173	1,983
Total Other Revenue	1,810	131,214	133,024
TOTAL REVENUES	143,341	131,214	274,555
EXPENDITURES			
Salaries and Fringe	12,289	35,253	47,542
Director's Fees	10,700	-	10,700
Travel	12,799	1,453	14,252
Administration	21,315	3,415	24,730
Professional Services	19,448	5,190	24,638
Insurance	5,499	2,422	7,921
Other	9,735	-	9,735
Cooperative Projects	6,000	-	6,000
Equipment	2,388	-	2,388
CHR/CPP/CPPI Projects	-	8,150	8,150
Plaza Project	-	36,306	36,306
Stabilization Expenses	-	50,497	50,497
CREP Expenses	-	11,530	11,530
TOTAL EXPENDITURES	100,173	154,216	254,389
Excess (deficiency) of revenues over expenditures	43,168	(23,002)	20,166
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	(49,265)	-	(49,265)
Transfers from Other Funds	-	49,265	49,265
TOTAL OTHER FINANCING SOURCES (USES)	(49,265)	49,265	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(6,097)	26,263	20,166
Fund Balance at beginning of year	144,241	58,383	202,624
Fund Balance at end of year	\$ 138,144	\$ 84,646	\$ 222,790

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUND
STATEMENT OF NET ASSETS
December 31, 2011

ASSETS	<u>2011</u>
Current Assets	
Cash and Cash Equivalents	\$ 1,216,711
Cash Reserved for CWCB Loan	39,539
Accounts Receivable	87,348
Allowance for Bad Debt	(16,950)
Accrued Interest Receivable	1,242
Inventory:	
Water Rights	110,505
Water Rights in Process	<u>1,029,928</u>
Total Current Assets	<u>2,468,323</u>
Capital Assets	
Machinery and Equipment	9,528
Less Accumulated Depreciation	<u>(9,528)</u>
Total Capital Assets	<u>-</u>
TOTAL ASSETS	<u>2,468,323</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	13,667
Due to General Fund	14,794
Current Portion Note Payable - CWCB	<u>15,090</u>
Total Current Liabilities	<u>43,551</u>
Long Term Liabilities	
Note Payable - CWCB	<u>683,443</u>
Total Long Term Liabilities	<u>683,443</u>
TOTAL LIABILITIES	<u>726,994</u>
NET ASSETS	
Unrestricted	<u>1,741,329</u>
TOTAL NET ASSETS	<u>\$ 1,741,329</u>

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2011

	<u>2011</u>
OPERATING REVENUE	
Sale of Water	\$ 507,274
Cost of Water Sold	<u>(16,131)</u>
Net Sale of Water	491,143
Administration Revenue	31,560
Water Maintenance Fees	<u>168,369</u>
Total operating revenue	<u>691,072</u>
OPERATING EXPENSES	
Salary and Fringe	91,177
Reservoir Storage Rent	93,064
Professional Services	29,042
Project Maintenance	28,333
Recharge Project	2,769
Other	<u>825</u>
Total operating expenses	<u>245,210</u>
Operating income (loss)	<u>445,862</u>
NONOPERATING REVENUE (EXPENSES)	
Interest Income	8,612
Interest Expense	<u>(24,959)</u>
Total nonoperating revenue (expenses)	<u>(16,347)</u>
Net Increase (Decrease) in Net Assets	429,515
Net Assets at beginning of year	<u>1,311,814</u>
Net Assets at end of year	<u><u>\$ 1,741,329</u></u>

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from water sales	\$ 449,140
Cash received from maintenance fees	168,369
Cash received from administrative fees	31,560
Cash paid for water acquisition	(54,332)
Cash paid for salaries and fringe	(91,177)
Cash paid for professional services	(22,352)
Cash paid for project maintenance	(28,333)
Cash paid for recharge project	(2,769)
Cash paid for reservoir storage rent	(93,064)
Cash paid for other expenses	(825)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>356,217</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Interest paid on notes	(24,959)
Principal paid on notes	(14,580)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(39,539)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	10,681
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>10,681</u>
Net Increase (Decrease) in Cash and Cash Equivalents	327,359
Cash and Cash Equivalents, Beginning of Year	<u>928,891</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,256,250</u>
Operating Income	\$ 445,862
Adjustments to Reconcile Net Income to	
Net Cash Provided by Operating Activities:	
(Increase) Decrease in Accounts Receivable	18,933
(Increase) Decrease in Water Inventory	(54,332)
Increase (Decrease) in Deferred Revenue	(60,936)
Increase (Decrease) in Accounts Payable	6,690
Total Adjustments	<u>(89,645)</u>
Net Cash Provided by Operating Activities	<u>\$ 356,217</u>

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the San Luis Valley Water Conservancy District (the District) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The San Luis Valley Water Conservancy District was formed in accordance with Colorado Statute 148-1-1 on November 14, 1949. The District is governed by a Board of Directors who are appointed by the 12th Judicial District Judge.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- λ The organization is legally separate (can sue and be sued in their own name)
- λ The District holds the corporate powers of the organization
- λ The District appoints a voting majority of the organization's board
- λ The District is able to impose its will on the organization
- λ The organization has the potential to impose a financial benefit/burden on the District
- λ There is fiscal dependency by the organization on the District
- λ The organization is financially accountable to the District
- λ The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District.

Based on the aforementioned criteria, the Colorado Rio Grande Restoration Foundation, a separate legal entity, was blended in the financial statements as a special revenue fund. There are no other component units included in the financial statements of the District, since no others were discovered to fall within the oversight responsibility based on the proceeding criteria.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the District. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- λ Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

- λ Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column.

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. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, 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 as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- λ The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- λ The **Foundation Fund** is the fund that accounts for the revenues and expenditures for the restoration, improvement, preservation, and protection of the Rio Grande River, its riparian areas, related plant and animal life, and other natural resources, to the benefit of users of the Rio Grande and its communities.

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. The District's only proprietary fund is the Enterprise Fund, used to account for the District's water rights, water sales, and water purchases. Revenues are derived from the District's water sales and maintenance fees. Expenses include the cost of water sold, water storage fees, and professional services.

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- λ Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- λ Current year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are accrued.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

the option of following subsequent private sector guidance for their business-type activities subject to this same limitation.

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 a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit and liquid investments with an initial maturity of three months or less.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The District's property taxes are collected by the County Treasurer who remits monthly receipts to the District. The District receives property tax from Alamosa, Rio Grande, Mineral, Hinsdale, and Saguache County. Property tax revenue is recognized when received by the County Treasurer.

Uncollected property taxes that became an enforceable lien January 1, 2012 have been recorded in the financial statements as an asset and a corresponding deferred revenue.

Receivables/Payables From Other District Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds."

Inventories

Purchased inventories are stated at cost and consist of water rights and augmentation plans owned by the District.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital Assets consist of equipment in the applicable governmental activities and business-type columns in the Government-wide Financial Statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the estimated useful lives of 5-20 years.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

GASBS No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, ditches, canals, etc. These infrastructure assets are likely to be the largest asset class of the District. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The District is not subject to retroactive reporting of infrastructure.

Fund Equity and Net Assets

Fund Balance - Beginning the 2011 year, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classification's and by clarifying the definitions of existing governmental fund types.

As a result fund balances are classified based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. In accordance with the Statement, fund balances are now classified in one of the five categories:

- λ *Nonspendable Fund Balance* - are amounts that cannot be spent because they are not in spendable form- such as inventory and prepaid insurance.
- λ *Restricted Fund Balance* - are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- λ *Committed Fund Balance* - are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Directors, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removed those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- λ *Assigned Fund Balance* - are amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Directors or by an official or body to which the governing body delegates the authority.
- λ *Unassigned Fund Balance* - are amounts that are available for any purpose; these amounts are reported only in the General Fund.

Beginning fund balances have been restated to reflect the above classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

Encumbrances

The District does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The San Luis Valley Water Conservancy District follows the procedures outlined in the Financial Management Manual – A Guide for Colorado Local Governments – when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 1 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The District did adopt supplemental appropriations during fiscal year 2011.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget if applicable.

Stewardship

The Colorado Rio Grande Restoration Foundation is a 501(c)(3) nonprofit, therefore no budget was adopted during 2010.

NOTE 3 CASH AND DEPOSITS

A summary of Cash for the District is as follows:

Cash in Banks and on Hand	<u>\$ 1,435,754</u>
Total cash and deposits on the Statement of Net Assets	<u>\$ 1,435,754</u>

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Custodial Credit Risk – Deposits

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 does not have a deposit policy for custodial credit risk. As of year-end, \$596,120 of the District's deposits totaling \$1,444,674 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2011, the District had an estimated property tax receivable in the General Fund of approximately \$136,010.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2011, consisted of the following:

Enterprise Fund - Assessments Receivable	\$ 45,237
Enterprise Fund - Water Sales Receivable	<u>42,111</u>
Total Accounts Receivable	<u>\$ 87,348</u>

NOTE 6 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of December 31, 2011, the District had \$30,490 due from Federal, State, or Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The District reports interfund balances between many of its funds. The balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011**

Interfund receivable and payable balances at December 31, 2011 were as follows:

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 14,794
General Fund	Foundation Fund	758
Foundation Fund	General Fund	<u>3,281</u>
Total		<u>\$ 18,075</u>

Interfund Transfers

Interfund transfers for the year ended December 31, 2011, were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Foundation Fund	\$ 49,265
Total		<u>\$ 49,265</u>

These transfers were made to subsidize the Foundation Fund.

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>BALANCE 12/31/2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 12/31/2011</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Equipment	\$ 9,528	\$ -	\$ -	\$ 9,528
Total capital assets being depreciated	<u>9,528</u>	<u>-</u>	<u>-</u>	<u>9,528</u>
Less accumulated depreciation for:				
Equipment	9,528	-	-	9,528
Total accumulated depreciation	<u>9,528</u>	<u>-</u>	<u>-</u>	<u>9,528</u>
Total Capital Assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

NOTE 9 LONG-TERM LIABILITIES

Changes in Long-Term Debt

During the year ending December 31, 2009, The Colorado Water Conservation Board loaned the District \$727,200, including a loan origination fee of 1%, or \$7,200, at an interest rate of 3.50% per annum for a repayment term of 30 years, in annual installments of \$39,539 per year, including interest. Final payment is due May 1, 2039. This loan was to acquire water rights for the District's augmentation program. The loan is secured with all water activity enterprise revenue pledged to repay the loan. The District is required to maintain a reserve equal to the annual payment of \$39,593. As of December 31, 2011, the District was in compliance with this requirement.

The following summarizes the District's long-term liabilities for the year ended December 31, 2011:

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Principal</u> <u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Colorado Water					
Conservation Board	\$ 713,113	\$ -	\$ 14,580	\$ 698,533	\$ 15,090
	<u>\$ 713,113</u>	<u>\$ -</u>	<u>\$ 14,580</u>	<u>\$ 698,533</u>	<u>\$ 15,090</u>

The annual Long-Term debt for the Business-Type Activities is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 15,090	\$ 24,449	\$ 39,539
2013	15,618	23,921	39,539
2014	16,165	23,374	39,539
2015	16,731	22,808	39,539
2016	17,316	22,223	39,539
2017-2021	96,108	101,586	197,694
2022-2026	114,146	83,548	197,694
2027-2031	135,570	62,124	197,694
2032-2036	161,015	36,679	197,694
2037-2040	110,774	7,843	118,617
	<u>\$ 698,533</u>	<u>\$ 408,555</u>	<u>\$ 1,107,088</u>

NOTE 10 DEFINED BENEFIT PENSION PLAN

Plan Description

San Luis Valley Water Conservancy District contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan, and to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post-employment healthcare plan. Both the LGDTF and the HCTF are administered by the Public Employees' Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. The HCTF provides a healthcare premium subsidy to PERA participating benefit recipients and their eligible beneficiaries.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for LGDTF and HCTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at (303) 832-9550 or 1-800-759-PERA (7372).

Funding Policy

The San Luis Valley Water Conservancy District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for the District it is 10.00 percent of covered salary. A portion of the District's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund. If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree; however no member contributions are required. For the years ending December 31, 2011, 2010 and 2009 the District's employer contributions to the LGDTF and HCTF were \$13,700, \$12,966, and \$12,138 respectively, equal to their required contribution for each year.

NOTE 11 TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending. This Emergency Reserve has been presented as a reservation of fund balance in the General Fund. The entity is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 12 SUBSEQUENT EVENTS

As of December 31, 2011, the District was in the process of purchasing an office building. The purchase price is expected to be approximately \$308,000. As of April 18, 2012, the purchase had not been completed.

NOTE 13 RISK MANAGEMENT

The District 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. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. There have been no claims from these risks for the current year or the three prior years.

**SAN LUIS VALLEY
WATER CONSERVANCY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes				
Current Property Taxes, Net	\$ 126,311	\$ 126,311	\$ 127,275	\$ 964
Delinquent Taxes and Interest	500	500	469	(31)
Specific Ownership Taxes	18,604	18,604	13,787	(4,817)
Total Taxes	145,415	145,415	141,531	(3,884)
Miscellaneous Revenue				
Interest Earned	2,250	2,250	1,810	(440)
TOTAL REVENUES	147,665	147,665	143,341	(4,324)
EXPENDITURES				
Salaries and Fringe	11,878	11,878	12,289	(411)
Director's Fees	11,100	11,100	10,700	400
Travel	9,000	9,000	12,799	(3,799)
Office	18,990	18,190	21,315	(3,125)
Professional Services	19,000	19,000	19,448	(448)
Insurance	4,000	4,000	5,499	(1,499)
Other	6,075	20,250	9,735	10,515
Cooperative Projects	3,000	6,000	6,000	-
Equipment	3,270	3,270	2,388	882
TOTAL EXPENDITURES	86,313	102,688	100,173	2,515
Excess (deficiency) of revenues over expenditures	61,352	44,977	43,168	(1,809)
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	(49,160)	(49,160)	(49,265)	(105)
TOTAL OTHER FINANCING SOURCES (USES)	(49,160)	(49,160)	(49,265)	(105)
Excess (deficiency) of revenues over expenditures and other sources (uses)	12,192	(4,183)	(6,097)	(1,914)
Fund Balance at beginning of year	142,411	142,411	144,241	1,830
Fund Balance at end of year	<u>\$ 154,603</u>	<u>\$ 138,228</u>	<u>\$ 138,144</u>	<u>\$ (84)</u>

Notes Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
COLORADO RIO GRANDE RESTORATION
FOUNDATION FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2011

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Grant Revenue	\$ -	\$ -	\$ 109,520	\$ 109,520
Cash Contributions	-	-	21,521	21,521
Interest Earned	-	-	173	173
TOTAL REVENUES	-	-	131,214	131,214
EXPENDITURES				
Salary and Fringe	-	-	35,253	(35,253)
Stabilization Expenditures	-	-	50,497	(50,497)
Plaza Project	-	-	36,306	(36,306)
CREP Expenditures	-	-	11,530	(11,530)
CHR/CPP/CPPI Projects	-	-	8,150	(8,150)
Administration	-	-	3,415	(3,415)
Accounting	-	-	3,825	(3,825)
Insurance	-	-	2,422	(2,422)
Professional Services	-	-	1,365	(1,365)
Travel	-	-	1,453	(1,453)
TOTAL EXPENDITURES	-	-	154,216	(154,216)
Excess (deficiency) of revenues over expenditures	-	-	(23,002)	(23,002)
OTHER FINANCING SOURCES (USES)				
Transfer From Other Funds	-	-	49,265	49,265
TOTAL OTHER FINANCING SOURCES (USES)	-	-	49,265	49,265
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	26,263	26,263
Fund Balance at beginning of year	-	-	58,383	58,383
Fund Balance at end of year	\$ -	\$ -	\$ 84,646	\$ 84,646

Notes Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

**SAN LUIS VALLEY
WATER CONSERVANCY DISTRICT
OTHER SUPPLEMENTARY INFORMATION**

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL - NON GAAP
For the Year Ended December 31, 2011

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
OPERATING REVENUE				
Sale of Water	\$ 141,250	\$ 141,250	\$ 507,274	\$ 366,024
Water Maintenance Fees	186,035	186,035	168,369	(17,666)
Administration Revenue	11,500	11,500	31,560	20,060
Total operating revenue	338,785	338,785	707,203	368,418
OPERATING EXPENSES				
Salary and Fringe	103,195	95,195	91,177	4,018
Reservoir Storage Rent	97,500	97,500	93,064	4,436
Professional Services	85,000	93,000	29,042	63,958
Project Maintenance	40,000	40,000	28,333	11,667
Water Acquisition	350,000	350,000	16,131	333,869
Recharge Project	5,000	5,000	2,769	2,231
Other	1,500	1,500	825	675
Total operating expenses	682,195	682,195	261,341	420,854
Operating income (loss)	(343,410)	(343,410)	445,862	789,272
NONOPERATING REVENUE (EXPENSES)				
Interest on Investments	15,500	15,500	8,612	(6,888)
Debt Principal Payment	(14,580)	(14,580)	(14,580)	-
Debt Interest Expense	(28,920)	(28,920)	(24,959)	3,961
Total nonoperating revenue (expenses)	(28,000)	(28,000)	(30,927)	(2,927)
Net Income - Budget Basis	(371,410)	(371,410)	414,935	\$ 786,345
Add: Principal Payment on Debt			14,580	
Net Income			429,515	
Net Assets at beginning of year	957,962	957,962	1,311,814	
Net Assets at end of year	\$ 586,552	\$ 586,552	\$ 1,741,329	

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT

**FINANCIAL STATEMENTS
CALENDAR YEAR ENDED DECEMBER 31, 2012**

FLEMING AND FLEMING, LLC
LESLIE K. FLEMING
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 94
ALAMOSA, CO 81101
(719) 587-9593

ACCOUNTANT'S COMPILATION REPORT

January 28, 2013

Board of Directors
San Luis Valley Water Conservancy District
623 Fourth Street
Alamosa, CO 81101

I have compiled the accompanying balance sheet of the San Luis Valley Water Conservancy District as of December 31, 2012 and the related statements of income for the general fund and the enterprise fund for the year then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures and the statements of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

I am not independent with respect to the San Luis Valley Water Conservancy District.


Leslie Fleming
Certified Public Accountant

SLV WATER CONSERVANCY DISTRICT

Balance Sheet

December 31, 2012

	Jan 31, 13
ASSETS	
Current Assets	
Checking/Savings	
110.1 · PETTY CASH	100.00
Cash - General	
102.1 · CHECKING - ALAMOSA STATE BANK	68,542.15
Total Cash - General	68,542.15
Cash - Enterprise	
102.2 · CHECKING - ALAMOSA STATE BANK	
102.21 · CWCB LOAN RESERVE	39,538.83
102.2 · CHECKING - ALAMOSA STATE BANK - Other	125,753.01
Total 102.2 · CHECKING - ALAMOSA STATE BANK	165,291.84
Total Cash - Enterprise	165,291.84
Restricted Reserve - General	
105.1 · CD - DEL NORTE FEDERAL SAVINGS	38,419.39
Total Restricted Reserve - General	38,419.39
Investments - Enterprise	
110.2 · CD - FSW ONGOING OPERATIONS	75,822.14
112.2 · CD - ASB ONGOING OPERATIONS	68,993.04
102.3 · MMA - SLV Federal	50,335.60
109.2 · CD - ALAMOSA STATE BANK;	107,951.19
107.2 · CD - RG SAVINGS	63,110.51
108.2 · CD - FIRST SOUTHWEST BANK	40,772.08
103.2 · CD - ALAMOSA STATE BANK	104,453.71
111.2 · CD - ALAMOSA STATE	36,751.42
106.2 · CD - SLV FEDERAL BANK	138,680.77
Total Investments - Enterprise	686,870.46
Total Checking/Savings	959,223.84
Accounts Receivable	
115.2 · ANNUAL FEE ACCOUNTS RECEIVABLE	53,173.30
116.2 · RESERVE - UNCOLLECTIBLE A/R	-24,473.52
Total Accounts Receivable	28,699.78
Other Current Assets	
120.1 · DUE FROM COUNTY TREASURER	1,105.50
130.1 · PROPERTY TAXES RECEIVABLE	130,213.94
131.2 · ACCRUED CD INTEREST	1,686.17
Total Other Current Assets	133,005.61
Total Current Assets	1,120,929.23
Fixed Assets	
160.2 · PROPERTY AND EQUIPMENT	404,809.62
165.2 · ACCUMULATED DEPRECIATION	-9,528.05
Total Fixed Assets	395,281.57
Other Assets	
135.2 · WATER RIGHTS	137,100.48
134.2 · WATER RIGHTS IN PROCESS	1,085,565.01
139.2 · WATER SALE RECEIVABLE	24,160.00
Total Other Assets	1,246,825.49
TOTAL ASSETS	2,763,036.29
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
200.1 · ACCOUNTS PAYABLE	-172.34
200.2 · ACCOUNTS PAYABLE/ENTERPRISE	8,343.64

Restricted for management's use only

SLV WATER CONSERVANCY DISTRICT**Balance Sheet**

December 31, 2012

	Jan 31, 13
Total Accounts Payable	8,171.30
Other Current Liabilities	
205.1 - PAYROLL TAX LIABILITIES	376.97
220.1 - DEFERRED REVENUE - PROPERTY TAX	130,213.94
Total Other Current Liabilities	130,590.91
Total Current Liabilities	138,762.21
Long Term Liabilities	
290.2 - CWCB LOAN	683,443.14
Total Long Term Liabilities	683,443.14
Total Liabilities	822,205.35
Equity	
305.1 - GENERAL FUND BALANCE - TABOR	3,882.00
3900 - GENERAL FUND BALANCE	217,463.70
300.2 - RETAINED EARNINGS - ENTERPRISE	1,476,405.61
305.2 - CONTRIBUTED CAPITAL	264,923.00
Net Income	-21,843.37
Total Equity	1,940,830.94
TOTAL LIABILITIES & EQUITY	2,763,036.29

SLV WATER CONSERVANCY DISTRICT
Income Statement - Augmentation Enterprise Fund
January through December 2012

	<u>Jan - Dec 12</u>
Ordinary Income/Expense	
Income	
580.2 · INVESTMENT INTEREST	5,929.25
600.2 · SALE OF WATER	159,080.24
650.2 · ADMINISTRATIVE/MISC INCOME	8,689.14
700.2 · ANNUAL MAINTENANCE FEES	185,877.62
Total Income	<u>359,576.25</u>
Expense	
2005.2 · MANAGERS SALARY	74,104.00
2009.2 · ADMINISTRATIVE SVCS	9,894.65
2006.2 · EMPLOYER PERA	11,487.26
2007.2 · EMPLOYER MEDICARE/UNEMPLOYMENT	1,519.24
2030.2 · LEGAL SERVICES/FEES	12,578.65
2040.2 · ENGINEERING SERVICES/FEES	6,971.90
2045.2 · FILING FEES/PUBLICATIONS/MISC	15.00
2050.2 · DITCH MAINTENANCE	28,056.46
2055.2 · RECHARGE PITS	7,154.36
2060.2 · RESERVOIR STORAGE RENT	110,900.79
2100.2 · LEGAL FEES - WATER ACQUISITION	
2100.31 · SAWYER	0.00
2100.21 · ANACONDA WATER RIGHTS	0.00
Total 2100.2 · LEGAL FEES - WATER ACQUISITION	<u>0.00</u>
2105.2 · ENGINEERING -WATER ACQUISITION	
2105.31 · SAWYER WATER ACQUISITION	0.00
2105.21 · ANACONDA WATER	0.00
Total 2105.2 · ENGINEERING -WATER ACQUISITION	<u>0.00</u>
2200.0 · CWCB LOAN PAYMENT	24,448.67
2500.2 COST OF WATER SOLD	2,051.82
Total Expense	<u>289,182.80</u>
Net Ordinary Income	<u>70,393.45</u>
Net Income	<u><u>70,393.45</u></u>

SLV WATER CONSERVANCY DISTRICT
Income Statement - General Fund
January through December 2012

	<u>Jan - Dec 12</u>
Ordinary Income/Expense	
Income	
400.0 · PROPERTY TAX	134,489.17
450.0 · SPECIFIC OWNERSHIP TAX	15,483.21
500.0 · DELINQUENT PROPERTY TAX	178.59
560.1 · INTEREST ON INVESTMENTS	959.07
Total Income	<u>151,110.04</u>
Expense	
1000.1 · DIRECTORS' FEES	10,000.00
1010.1 · MANAGER SALARY	8,039.40
1012.1 · ADMINISTRATIVE SUPPORT	1,043.87
1020.1 · EMPLOYER'S PERA	2,634.95
1025.1 · MEDICARE AND UNEMPLOYMENT	168.81
1015.1 · BOOKKEEPING SERVICES	9,485.00
1030.1 · AUDIT	10,300.00
1035.1 · INSURANCE (INS/BONDS/WK COMP)	5,672.99
1040.1 · MILEAGE & TRAVEL	14,586.22
1045.1 · DUES/SUBS/ADVERTISING	3,668.69
1050.1 · OFFICE SUPPLIES/POSTAGE	6,099.71
1055.1 · DISTRICT COOPERATIVE PROJECTS	1,500.00
1060.1 · OFFICE RENT/MAINT/UTILITIES	9,670.46
1070.1 · TELEPHONE	2,157.62
1080.1 · COPIER LEASE	2,536.84
1100.1 · MISCELLANEOUS/ BANK CHARGES	455.14
1118.1 · CONSULTING SERVICES	420.00
1120.1 · PUBLIC RELATIONS	8,375.28
1125.1 · TREASURER FEES	4,007.42
1138.1 · TRAINING AND EDUCATION	2,600.00
1140.1 · MINOR EQUIPMENT	6,958.08
1147.1 · RIVER RESTORATION COORDINATOR	25,045.49
1148.1 · RIVER RESTORATION SUPPORT	2,875.92
Total Expense	<u>138,301.89</u>
Net Ordinary Income	<u>12,808.15</u>
Net Income	<u><u>12,808.15</u></u>