FEASIBILITY STUDY

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

REPURPOSING OF WATER SUPPLY

Prepared for:
Lower Arkansas Valley Water Conservancy District

and

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

FEASIBILITY STUDY APPROVAL
Pursuant to Colorado Revised Statutes 37-60-121 &122, and in accordance with policies adopted by the Board, the CWCB staff has determined this Feasibility Study meets all applicable requirements for approval.

Signed 5/26/2015
Date

Prepared by:
Elise M. Bergsten
Balanced Management Services Company
P.O. Box 1834
Colorado Springs, CO 80901

March 2015

Table of Contents

List of Appendices

Introduction

The project presented herein represents a purchase of water shares by the Lower Arkansas Valley Water Conservancy District that will result in multiple beneficial uses. The project is split into two phases, and the total project cost is $4,077,000. Loan funding requested totals $2,535,000, and is complemented by a WSRA grant totaling $300,000; $25,000 in Arkansas Basin Roundtable funds, and $275,000 in Statewide funds. The grant request was approved by the Arkansas Basin Roundtable at their January 2015 meeting. It was approved by the CWCB board in March 2015, conditional upon approval of this loan application. The project applicant will cover the remaining cost, a total of $1,242,000 for both project phases.

In accordance with CWCB policy, the costs of water rights acquisition are eligible for CWCB loan funding if the purchase satisfies an existing water need or shortage. This report documents the District's mission, current water rights held by the district, their uses, the existing need for water rights, and the adequacy of the proposed rights to meet that need. In addition, the report provides information regarding the appraisal of the water rights being purchased.

Study Objective

This study explores the feasibility of the acquisition of water rights to support the needs of the members of the Lower Arkansas Valley Water Conservancy District (LAVWCD or the District).

The shares being purchased are paired shares, all Colorado Canal; paired with either Lake Henry or Lake Meredith. The shares are decreed for any beneficial use. When not in use, water will be stored in Lake Henry and Lake Meredith, increasing lake levels and benefitting recreational and environmental uses. Anticipated uses are detailed below, and include compact compliance obligations such as augmentation replacement for Rule 10 and Rule 14 Plans, and for lease/fallowing replacement water.

Project Sponsor

The project sponsor is the Lower Arkansas Valley Water Conservancy District. Established in 2002, the District covers five counties: Pueblo, Otero, Crowley, Bent, and Prowers. The District relies on property taxes to fund operations. 34 irrigation ditches are located within district boundaries.

LAVWCD's mission is to acquire, retain and conserve water resources within the Lower Arkansas River Valley; to encourage the use of such water for the socio-economic benefit of the District citizens; and to participate in water-related projects that will embody thoughtful conservation, responsible growth, and beneficial water usage within the Lower Arkansas Valley, including the acceptance of conservation easements, with or without water. This includes promoting and protecting agriculture in the Lower Arkansas Basin.

Services to members include conservation easements that allow farmers to lease their water to municipalities three out of ten years, Rule 10 Plan management, Rule 14 Plan facilitation, and the creation of the Catlin Pilot Project, a Lease/Fallowing project approved at CWCB's January 2015 meeting.

Loan Request

LAVWCD is requesting a 20-year loan for $2,535,000, which represents 63% of the total purchase price of the shares to be acquired.

Because LAVWCD regularly purchases spot water in addition to the water owned by the District to meet the needs of its members, these shares will replace some of that water, increasing the stability and reliability of the programs offered by the District.

Water Rights Currently Held by the District

Table 1
Summary of Water Rights

Company	Shares	Firm Yield (Dry Year) (acre-feet)	Comments
Bessemer Irrigation Ditch Co.	73.6	73.6	Division 2. Farm with water right
Catlin Canal Company	0.1	0.07	Division 2
Colorado Canal Co/Lake Meredith	2	1.18	1978 Depletions from the July 1985 WW Wheeler Report, revised Aug. and Oct. 1985, title Final Report, Colo. Canal/Lake Meredith, Lake Henry Change of Water Rights
Consolidated Extension Canal Co.	1	NA	
Rocky Ford Ditch Co.	1	1.38	Case No. 06CW049 HCU per share multiplied by the 2002 diversions divided by the average annual diversions.
Twin Lakes	91.34	70.33	

Other Assets	**Quantity**	**Uses**
Conservation Easements	50 easements	approximate number held
Larkspur Ditch Transmountain Diversion	200-500 af/yr	Rules 10 and 14, evaporation
If/When Storage-Pueblo Reservoir	2500 af	Ag storage
If/When Storage-Pueblo Reservoir	500 af	Municipal storage

Use of Water Rights

Water rights held by LAVWCD are available to members for various uses, mostly associated with Compact Compliance.

- Rule 10 and 14 needs continue to grow each year. LAVWCD is committed to assisting its members to comply with the Arkansas River Compact, an increasingly challenging task.
- In 2015, some Twin Lakes shares will be used for replacement of evaporative loss in Lake Isabel. Located in the San Isabel National Forest, Lake Isabel is one of only a few area lakes that have the capacity to be used for dipping for firefighting. Maintaining this lake level benefits recreation as well as contributing to watershed health and safety.
- The Catlin Pilot Project, a Fallowing/Leasing project, was approved by the CWCB at their January meeting. Some of the water to be purchased will be used to meet historic return flow obligations associated with this project.

- Improved utilization of water through added flexibility and stability will result, increasing the possibility of trades and exchanges while diminishing transit and evaporative losses.
- As municipal needs grow, return flows are diminishing. These return flows have historically been used for agricultural uses, and resulted in a double-counting of this water in SWSI 2010. Calculations show that the availability of return flows to cover evaporative loss will continue to lessen, and that a shortage of water for Ag is already being experienced.
- If available, water may be leased to municipalities or by farmers.

Previous Studies and Field Investigations

- Catlin Pilot Project docs: http://cwcb.state.co.us/water-management/water-projects-programs/Pages/Fallowing-LeasingPilotProjects.aspx
- FIRI Analysis and Tailwater Return Flow Study on Fort Lyon Canal: http://cwcbweblink.state.co.us/WebLink/0/doc/192295/Electronic.aspx?searchid=4a29c2f7-9df7-49f7-b154-99f1a6a1167c

No previous studies specific to this share purchase were made. The LAVWCD is committed to the efficient utilization of water, as well as to the preservation of water and agriculture in the Arkansas Valley, as demonstrated by the above-listed links to current studies and projects.

Alternatives

Alternative 1

No-action alternative. This alternative was considered unacceptable. It would mean that LAVWCD would be required to purchase increasing amounts of spot water annually, and could result in the inability to complete projects already underway. No spot water was available for lease in 2013, for instance.

Alternative 2

When the opportunity to make this water right purchase became available, LAVWCD acted quickly. By making this purchase, LAVWCD follows its mission to protect agriculture in the Lower Arkansas Valley. As such, the proposed water rights purchase is the logical and preferred alternative for the District.

Selected Alternative #2

Phase One – Purchase of 408.6 paired shares to be financed by LAVWCD with CWCB loan funding

- 1.1 – Purchase of 282 paired shares: Colorado Canal & Lake Meredith
- 1.2 – Purchase of 126.6 paired shares: Colorado Canal & Lake Henry
- 1.3 – Associated legal and closing costs

Phase Two – Purchase of 149.4 shares to be financed by LAVWCD with WSRA grant funding

- 2.1 – Purchase of 149.4 paired Colorado Canal and Lake Henry shares

Description of Water Rights to be Purchased

The total shares number 558. See Appendix C for a List of Shares. These water shares have no land or improvements associated with them and are decreed for any beneficial use. That use was decreed in a change case dated October 31, 1985 (Appendix D). They are Colorado Canal shares and are paired with either Lake Henry or Lake Meredith storage rights. The Colorado Canal is located in Crowley and Pueblo Counties. The firm yield for the total of 558 shares is 102.2 acre feet. The table below shows Historical Consumptive Use.

Table 2
Historical Consumptive Use

			Total Diverted (1983-2011)			HCU (1983-2011		
	Yield - Water Purchase		(acre-feet)			(acre-feet)		
Task		Shares	Min	Avg	Max	Min	Avg	Max
1.1	Colorado Canal/Lake Meredith	282	52.6	271.4	690	28.8	160.7	402.5
1.2	Colorado Canal/Lake Henry	126.6	52.8	202.6	326.7	33.7	129.1	208.2
2.1	Colorado Canal/Lake Henry	149.4	62.3	239	385.5	39.7	152.4	245.7
	Total Shares:	**558**	**167.7**	**713**	**1402.2**	**102.2**	**442.2**	**856.4**

History of the Water Rights

Created in 1889, the Colorado Canal Company was originally named the Bob Creek Canal. The canal runs a distance of approximately 60 miles from three miles west of Boone, CO to Horse Creek, near Sugar City. Both Lake Henry and Lake Meredith were created as storage reservoirs to supply water to Crowley County farmers. This water was used for sugar beet production, which was the primary agricultural crop in the area for much of the twentieth century. However, much of the canal's water rights were sold to Aurora and other municipalities in the 1970's, drying up most Crowley County farms.

The Colorado Canal decree was modified by a change case dated October 21, 1985, which decreed the use of these water shares for any beneficial use.

More specifically to this proposed purchase, the water rights in question were all owned or under purchase agreements by Ordway Cattle Feeders.

Proposed Uses and Adequacy of Water Rights to meet those uses

Proposed uses are the same as those listed above in uses of currently owned rights, plus additional uses; all summarized below:

- Compact Compliance
- Rule 10
- Rule 14
- Evaporative Loss – Lake Isabel
- Catlin Pilot Project historic return flow obligations
- Conservation easement 3/10 plans
- Increased opportunity to utilize trades and exchanges for more efficient utilization of water resources.

- Replacement of spot water purchased from Pueblo Board of Water Works and other municipal return flows which are not available during drought, and which will diminish as municipal needs increase.
- Municipal use
- Agricultural irrigation

The table below lists water leased annually in 2014 and 2015, showing a clear need for this water and more, if available. In 2013, no water was available for lease from Pueblo Board of Water Works. The water purchased will replace 102 – 856 acre-feet of water that is currently being leased each year, when available.

Table 3

LAVWCD Water Leases				
Lessee	**a/f**	**Amount per Share**	**Total**	**Type**
2015				
Pueblo Board of Water Works	500.00	$ 155.00	$ 77,500.00	Raw
Pueblo Board of Water Works	1,000.00	115.00	115,000.00	Raw
Pueblo Board of Water Works	500.00	222.28	111,140.00	Raw
Totals	**2,000.00**	**492.28**	**303,640.00**	
2014				
Cherokee Metropolitan District	120.00	$ 325.00	$ 39,000.00	Raw
City of Aurora	247.77	75.00	18,582.56	Return Flows
Pueblo Board of Water Works	500.00	175.00	87,500.00	Raw
Pueblo Board of Water Works	500.00	125.00	62,500.00	Raw
Pueblo Board of Water Works	500.00	215.28	107,640.00	Raw
Totals	**1,867.77**	**915.28**	**315,222.56**	

Water Rights Evaluation (Appraisal)

An Appraisal Report was completed on March 10th, 2015 by Frank Heuett, Certified General Appraiser.

The water rights described above were analyzed to estimate their Market Value and confirm the basis for the purchase price. The valuation method used was a Sales Comparison approach. Comparisons were made of similar water rights purchases of Colorado Canal and Lake Henry or Lake Meredith paired shares within the last several years.

Comparisons showed that Colorado Canal/Lake Meredith shares are valued at $4,500 per paired share. Colorado Canal/Lake Henry shares are valued at $10,000 per paired share. The value varies due to different storage decree dates, and due to the fact that the elevation of Lake Meredith precludes gravity flow irrigation. Lake Meredith water must be exchanged either through the Holbrook Canal or the Fort Lyon Canal back to the original diversion east of Boone, CO. Lake Henry storage water is of sufficient elevation for gravity flow irrigation.

282 Colorado Canal/Lake Meredith shares are valued at $4,500 per paired share, totaling $1,269,000.

276 Colorado Canal/Lake Henry shares are valued at $10,000 per paired share, totaling $2,760,000.

Total Fee Simple Fair Market Value totals $4,029,000.

See Appendix A for full appraisal.

Financial Feasibility Analysis

The budget for the proposed water share purchase is shown below in Table 4. Also, please see Appendix E – 2015 Budget, Appendix F – 2013 Audited Financial Statements, and Appendix G – 2012 Audited Financial Statements.

Table 4
Budget – Water Share Purchase

Task #	Description	WSRA Loan Funds	LAVWCD Funds	Basin Grant Funds	Statewide Grant Funds	Total Expense
1	**PHASE 1**					
1.1	**Purchase of 282 paired shares: CO Canal & Lake Meredith**	**$1,269,000**				**$1,269,000**
1.2	**Purchase of 126.6 paired shares: CO Canal & Lake Henry**	**$1,266,000**				**$1,266,000**
1.3	**Associated legal and closing costs**		**$ 48,000**			**$ 48,000**
2	PHASE 2 - Grant Request					
2.1	Purchase of 149.4 paired shares: CO Canal & Lake Henry		$1,194,000	$25,000	$ 275,000	$1,494,000
	Totals:	**$2,535,000**	**$1,242,000**	**$25,000**	**$ 275,000**	**$4,077,000**
Meets CWCB Match Requirements:						
25% of total grant funding must come from basin, loan or other funds ($75,000)						
A minimum of 5% of the total grant amount must come from basin funds ($15,000)						
Loan funds may be used for no more than 90% of the project ($3,669,300)						

The Water Activity Enterprise of the Lower Arkansas Valley Water Conservancy District will be the contracting entity. The budget for the Enterprise begins on Page 29 of Appendix E.

The requested loan amount of $2,535,000 plus 1% origination fee of $25,350 equals $2,560,350. The annual payment amount for this loan will be $148,395.46. Please note that the District had no outstanding debt prior to this project. The amounts listed in the “LAVWCD Funds” column in the above table are $48,000, to be paid from the “Water Acquisition” budget item totaling $611,000; and $1,194,000, to be paid over 20 years as a Note Payable to one of the water rights sellers (annual cost of less than $100,000). The annual loan payment due to CWCB will also be paid from the “Water Acquisition” budget line item. Also note that the budget’s Contingency fund is $100,000. Ample funds are available to pay annual debt payments for the proposed purchase.

Collateral

LAVWCD owns 91.34 Twin Lakes shares. Currently valued at $36,000 - $39,000 per share, these shares are worth $3,288,240 - $3,562,260, and are provided as collateral for this loan (see Appendix H).

Conclusion

This water purchase may not produce all of the water needs that LAVWCD will encounter in the future, it is a local water supply that greatly enhances the stability of compact compliance programs and keeps water available for intrabasin needs. Funding assistance through a combination of WSRA Grants and CWCB Loan ensures the financial viability of this project, and also improves the long-term sustainability of agriculture in the Arkansas Valley.

APPRASIAL REPORT

Frank Heuett, Certified General Appraiser

APPRAISAL OF COLORADO CANAL WATER RIGHTS

PUEBLO AND CROWLEY COUNTIES

AS OF

March 10, 2015

PREPARED FOR

Lower Arkansas Valley Water Conservancy District
801 Swink Avenue
Rocky Ford, CO
81067

March 10, 2015

APPRASIAL REPORT
Frank Heuett, Certified General Appraiser

Lower Arkansas Valley Water Conservancy District (LAVWCD)
801 Swink Avenue
Rocky Ford, CO
81067

Re: 276 Shares of Colorado Canal paired with Lake Henry and another 282.0 Shares of Colorado Canal paired with Lake Meredith. The total number of Colorado Canal Shares is 558.

Pursuant to your authorization, I have investigated and appraised the above captioned property on March 10, 2015. The property consists of water shares with no land or improvements primarily located in Crowley County, Colorado while portions of the Colorado Canal run from the original divergence through Pueblo County. The subject is owned in fee simple.

I have prepared the estimates of: Fee Simple Fair Market Value as of March 10, 2015.

Property descriptions are included in this report, along with my analysis of value, conclusions of value, and documentation to support the same. My understanding is that this appraisal will be used to establish the value of said water shares as of the date of appraisal for purposes which include a possible purchase of said shares.

I certify that I have no present or contemplated interest in the subject property beyond this appraisal; that my employment is in no way contingent in the value reported; that I have personally inspected the property and surrounding area; that the statements made and the information contained in this report are true to the best of my knowledge and beliefs. This appraisal complies with the Uniform Standards of Professional Appraisal Practice (USPAP). This is a Complete Appraisal and a Summary Report as defined by USPAP. I further certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions developed, in this report have been prepared, in conformity with the requirement of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The Fair Market Value of the Fee Simple estate in the subject property was estimated as of March 10, 2015 to be:

FOUR MILLION TWENTY NINE THOUSAND DOLLARS

$4,029,000

THIS REPORT HAS BEEN PREPARED IN COMPLIANCE WITH USPAP GUIDELINES WHICH MAY INCLUDE A SECURE DIGITAL SIGNATURE AND ADEQUATE SECURITY MEASURES IN PLACE TO PROTECT SAID SIGNATURE.

In response to your request and authorization for an appraisal of Market Value of above described property, I submit to you this narrative appraisal report. It contains colored photographs, drawings and maps pertaining to the subject property, plus any additional supplemental data describing in detail the method of my approach and relevant information gathered in this report.

The purpose of this appraisal is to estimate the Market Value of the subject property as of March 10, 2015, subject to the assumptions, contingent and limiting conditions, certification and definition contained herein. It is also intended that this appraisal comply with Title XI of Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) as adopted by the Appraisal Standards Board of the Appraisal Foundation. Also, per recent USPAP requirements this is intended as a Narrative Report and is reported in the format of a Appraisal Report wherein some information referenced in the report is kept in the appraiser's file.

Respectfully submitted,

Frank Heuett

Frank Heuett
Certified General Appraiser
(Colorado CG40006813)

COMPETENCY PROVISION

FRANK HEUETT'S QUALIFICATIONS

The Uniform Standards of Professional Appraisal Practice (USPAP) require that prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently; or alternatively

- Disclose the lack of knowledge and/or experience to the client before accepting the assignment; and
- Take all steps necessary or appropriate to complete the assignment competently; and
- Describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

I have been appraising real estate in Colorado since 1996 and have appraised farms and ranches of varying sizes and amenities such as cattle and elk herd ranches, hay and crop producing farm lands with a range from less than one hundred acres to as many as forty nine thousand acres. I have completed several development appraisals on vacant lands which were proposed to be subdivided and improved. I have appraised various types of land uses including rock and mineral quarries, tree and sod farms as well as numerous other commercial applications. I have appraised large hotel/motel complexes, banks and bank systems with multiple branches, office buildings, retail and wholesale buildings, lumber mills, public school sites and I have appraised both light and heavy industrial type properties.

I hold a Certified General Appraiser license in the State of Colorado

I am an associate member of the Appraisal Institute and have completed the following courses.

NCRE 200	Registered Appraiser
NCRE 201	Basic Appraisal Applications
NCRE 208	Standards & Ethics
NCRE 209	Licensed Appraiser Upgrade
NCRE 211	Certified Residential
NCRE 215	Advanced Principles & Applications
NCRE 216	Income Capitalization

NCRE 219	Commercial Case Studies	
	Current Legal Issues	
	Understanding Investments	
	1031 Tax-Free Exchanges	
	Manufactured & Modular Housing	
	Truth about Mold	
NCRE 301-502	1-Hour USPAP Update	
	7-Hour USPAP Update	2007
1142N-	Business Practices & Ethics	2007
SE710-	Condemnation Appraising	2007
	Valuation of Conservation Easements	2007
	Conservation Easement Basics	2007
	National USPAP Update	2010
	How to Analyze and Value Income Properties	2010
	Foundations In Sustainability	2010
	Appraising Apartments	2010
	The Art of the Addenda	2010
	Nuts & Bolts of Green Building for Appraisers	2010
	Conservation Easement Update	2011
	Report Writing	2013
	Online Data Verification Methods	2013

Due to the appraiser's background, experience, education and membership in professional associations, the appraiser is qualified to make appraisals of the type of property being valued.

TABLE OF CONTENTS

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no present or perspective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction on value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- As of the date of this report, I (Frank Heuett) am currently a Certified General Appraiser by the State of Colorado under license #CG40006813.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.

- As of the date of this report, I (Frank Heuett) have completed the continuing education program required by the State of Colorado.

EFFECTIVE DATE OF VALUATION: March 10, 2015

ESTIMATED MARKET VALUE: $4,029,000

DATE OF REPORT: March 13, 2015

Certified by,

Frank Heuett

Frank Heuett
Certified General Appraiser
(Colorado CG40006813)

ASSUMPTIONS AND LIMITING CONDITIONS

The estimate of value contained in this report is based on the following assumptions and conditions:

- Title is assumed to be marketable.
- The property has been appraised as though free and clear of all encumbrances.
- No responsibility is assumed for matters legal in nature, nor is any opinion rendered as to title, which is assumed to be marketable
- The Share Certificates furnished the appraiser by the Client are assumed to be correct.
- The information and data reported in connection with the appraisal, has been obtained from sources, which are assumed to be reliable. All information provided to the appraiser by Lower Arkansas Valley Water Conservancy or Ordway Feedyard, LLC is assumed accurate.
- The preparation of this appraisal does not include the right to use the appraisal in a court of law nor obligate the appraiser for testimony in a court of law without prior arrangements.
- If a fee were charged for making this appraisal then said fee would in no way be contingent upon the valuation finding.

This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan..

Possession of this report or a copy thereof does not carry the right of publication nor may it be used for any purpose by any but the applicant without the previous written consent of the appraiser of the applicant and then only with proper qualifications. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or any other media without the written consent and approval of the author, particularly as to valuation conclusions or the identity of the appraiser.

I have analyzed and reported in reasonable detail any prior sales of the property being appraised that occurred within the past three years.

As of the date of this report, I, Frank Heuett, have completed the continuing education required by the State of Colorado.

I have followed a reasonable valuation method that addresses the direct sales comparison, income and cost approaches to market value, reconciled those approaches and explained the elimination of each approach not used. If information required or deemed pertinent to the completion of this appraisal was unavailable, the fact was disclosed and explained in the appraisal.

EFFECTIVE DATE OF VALUATION: March 10, 2015

DATE OF REPORT: March 13, 2015

Respectfully submitted,

Frank Heuett

Frank Heuett Certified General Appraiser
(Colorado CG40006813)

PRELIMINARY INFORMATION

IDENTIFICATION OF PROPERTY

The property as referred to in this report and the order for appraisal is 276 Shares of Colorado Canal paired with Lake Henry and another 282.0 Shares of Colorado Canal paired with Lake Meredith. The total number of Colorado Canal Shares is 558 The Colorado Canal is located within both Pueblo and Crowley Counties, Colorado.

INTENDED USE OF THE APPRAISAL

The appraisal foundations definition of intended use in the Uniform Standards of Professional Practice (USPAP) 2004 edition is *"The use/uses of an appraisers reported appraisal, appraisal review or consulting assignments, opinions and conclusions, as identified by the appraiser based on communication with a client at the time of assignment."* This report is intended only for use in determination of market value for a possible purchase. This report is not intended for any other use. The purpose of this appraisal is to estimate the fair market value of the subject shares for potential purchase purposes. The appraisal is made based on the subject's current use.

INTENDED USER OF THE APPRAISAL

This report is intended for use only by LAVWCD. Use of the report by any others is not intended by the appraiser.

EFFECTIVE DATE OF VALUE

The date of valuation reflected in the report is March 10, 2015 for the "As Is" valuation.

DATE OF INPECTION

March 9, 2015

DATE OF REPORT

March 13, 2015

PROCEDURES

The procedure used to develop this report included a search of Pueblo & Crowley County Records, past appraisals and other sources for a period of the past 36 months. This search was initiated to find the best available comparable sales within the market area. These sales were then analyzed to evaluate both their similarities and differences as opposed to the subject property with +/- adjustments being given to each difference as it relates to the subject. While the comparables used within this appraisal are considered to be the best available; no representation is made that said properties are the only comparables available.

Income data and the Income Approach were not developed as rates for leased water are seldom representative of the associated value.

Cost data for the subject was not developed due to the fact that no improvements are to be considered within the appraisal. The reconciliation then analyzes and weights each approach to arrive at a final value.

DEFINITION OF MARKET VALUE

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and Seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions by anyone associated with the sale.

Definition #3 of 5 total from "The Dictionary of Real Estate Appraisal, Forth Edition" Page 177-178

SCOPE OF THE APPRAISAL

The Scope of Work Rule states that:

> *"An appraiser's scope of work is acceptable when it meets or exceeds the expectations of parties who are regularly intended users for similar assignments; and what an appraiser's peers' actions would be in performing the same or a similar assignment?"*

The scope of this appraisal is to consider and describe the subject property. The Pueblo and Crowley Counties have been described as well as description of the market area and its boundaries. The most probable use of the subject property is analyzed to better understand the property being appraised and the influences of the surrounding area. This information was then confirmed and analyzed to determine an estimate of value for the subject property. Personal inspection of the subject Share Certificates and all comparables was made as well as a review of all available data. This allows the appraiser to better determine the extent of the work and size of the report in relation to the significance of the appraisal process. No attempt is made to evaluate any personal property within the appraisal report.

The general scope of the work performed in the appraisal process is such that it follows the procedures as outlined below.

1. Review of the subject Share Certificates.
2. Determination of the subject's market area was made and review as well as the overall community and region was preformed to clarify the characteristics of each. The boundaries of the market area were described as was the area.
3. Searching public records to glean descriptive data pertinent to the subject.
4. Determination of Highest and Best Use of the subject property while considering physical, economic, governmental and social issue.
5. A search for comparable sales through both public records.
6. Preparation of the appraisal report and appropriate exhibits to relate the results of the appraiser's investigation, analyses and conclusion.
7. Appraisal is to value water shares only.

The information represented within this report such as measurements and acreage may have been obtained by sources such as public record, plat maps, other documentations, etc. The appraiser has used his judgment to select the most reliable sources. Maps, plat plan, photographs, etc., on the following pages will visually acquaint the reader with the subject being appraised, along with other details. In this appraisal report all three approaches (Cost, Market and Income) were considered, however the appraiser has determined that only the Market Approach was completed.

PROPERTY RIGHTS APPRAISED

The property rights appraised are the Fee Simple ownership as defined in the Definition of Market Value found herein, free and clear of all encumbrances or indebtedness, based on the subject property in its current condition. The Dictionary of Real Estate Appraisal, 4th Edition 2002 defines fee simple/leased fee as:

Fee Simple is defined as: *"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat."*

Leased Fee Estate is defined as: *"An ownership interest held by a landlord with the rights of use occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease."*

The appraisal is of the Fee Simple Estate of 276 Shares of Colorado Canal paired with Lake Henry and another 282.0 Shares of Colorado Canal paired with Lake Meredith. The total number of Colorado Canal Shares is 558.

ESTIMATED MARKETING/EXPOSURE TIME

According for the Advisory Opinion G-7, USPAP, Statement on Appraisal Standards No. 6, Appraisal Standards Board of the Appraisal Foundation, a reasonable marketing time is described as:

> *"An estimate of the amount of time it might take to sell a property interest in real estate at the estimated market values level during the period immediately after the effective date of the appraisal."*

Exposure time is defined as:

> *"The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming competitive and open market."*

It appears that marketing/exposure can require between 1-3 months due to high demand. With adequate marketing and given the current condition of the improvements, a reasonable marketing/exposure time estimate for the subject could be completed within 3 months, with a minimum expectation of about one month.

HYPOTETICAL CONDITIONS

Hypothetical conditions assume conditions contrary to known facts about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about integrity of data used in an analysis.

HYPOTHETICAL CONDITION:

None.

EXTRAORDINARY ASSUMPTIONS

Extraordinary assumptions are ones directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. They presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of the data used in an analysis.

No extraordinary assumption has been made within the development of this appraisal. The subject has been appraised in its current (AS IS) condition and its current use.

COMPETENCY OF APPRAISER

The Uniform Standards of Professional Appraisal Practice (USPAP) require that prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently; or alternatively…

- Disclose the lack of knowledge and/or experience to the client before accepting the assignment; and
- Take all steps necessary or appropriate to complete the assignment competently; and
- Describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

As indicated in the Competency Provision section of this appraisal:

1. Currently I hold an active Colorado Certified General Appraisal License number CG40006813.

2. I have been appraising real estate in Colorado since 1996 and have appraised farms and ranches of varying sizes and amenities such as cattle and elk herd ranches, hay and crop producing farm lands with a range from less than one hundred acres to several thousand acres. I have completed several development appraisals and on vacant lands which were proposed to be subdivided and improved. I have appraised various types of land uses including rock and mineral quarries, tree and sod farms as well as numerous other commercial applications. I have appraised large hotel/motel complexes, banks and bank systems with multiple branches, office buildings, retail and wholesale buildings, lumber mills, public school sites and I have appraised both light and heavy industrial type properties. I have also appraised several properties for conservation easements.

3. As shown by the license number I am a Certified General Appraiser and am competent to complete the described appraisal.

GENERAL COLORADO CANAL HISTORY

The Colorado Canal was originally called the Bob Creek Canal and was first filed for in 1889. Running a distance of approximately (60) sixty miles from (3) miles west of Boone, CO to Horse Creek which is located near Sugar City. The idea behind the Colorado Canal was to build a significant number of reservoirs which could store flood waters during the spring; then, this water would then be released during the summer growing season.

Lake Henry was originally dug and connected to the Colorado Canal in 1894 while the Twin Lakes project was started in 1900 and completed in the 1930. Both Lake Henry and Lake Meredith were originated as water storage reservoirs to supply water to Crowley County farmers. This water was used for sugar beet production which was the primary agricultural crop around Sugar City and near Rocky Ford. Colorado led the nation in sugar output for much of the twentieth century, and American Sugar ranked among the largest producers. This ended when the Denver suburb of Aurora acquired much of the water used in the Rocky Ford area in a purchase of the American Beet Sugar Company's water rights.

The Twin Lakes Reservoir was originally built to benefit agricultural users of the Colorado Canal. Twin Lakes had 1896-7 priorities for a total of 54,452 AF. In 1930 the water supply for Twin Lakes was increased by construction of the Independence Pass Transmountain Diversion System which redirected water from the Roaring Fork River to Twin Lakes for the benefit of agricultural users of the Colorado Canal.

Starting in 1974; the majority interest in the Colorado Canal was being sought by Front Range municipalities. More recently; the majority interest in the Colorado Canal, Lake Henry and Lake Meredith was purchased by the city of Colorado Springs occurred in 1986.

Today, water is delivered by the Colorado Canal to Lake Henry and then to Lake Meredith for storage. This water may be released to the Arkansas River and either exchanged to the Colorado Canal head gate for agricultural use or to the Pueblo Reservoir for use by Colorado Springs or other municipalities. Colorado Springs receives their water ownership of the Colorado Canal from the Pueblo Reservoir through the Fountain Valley Conduit.

REGIONAL DESCRIPTION (Crowley County)

Crowley County is located in southern Colorado, and is bordered on the west by Pueblo County and on the south by Otero County, on the east by Kiowa County, and on the north by Lincoln County. Ordway, the County Seat of Crowley County is located in the central portion of the county at the intersection of Colorado State Highway 71, and Colorado State Highway 96. Olney Springs is a very small community with a land area of only 0.23 square miles and is located along US. Highway 96 approximately 43 miles east of Pueblo, CO and approximately 3.3 miles west of Ordway. Ordway is located about 75 miles southeast of Colorado Springs. US Highway 50 has become the central draw for much of the areas businesses and services as well as a large variety. Ordway is the major population center for Crowley County and is located approximately 47 miles east of Pueblo, Colorado, Colorado. Olney Springs is bounded on all sides by vacant lands both public and private. State Highway 96 runs from Pueblo County through Ordway and Olney Springs and on to Kiowa County and is a major connector for all of these counties and towns along the way. State Highway 71 is the major north to south roadway which crosses State Highway 96 at Ordway before continuing on to connect the entire area with Rocky Ford which is located in Otero County to the south. In addition County Road 25 also connects with US 50 to the south.

Numerous streams feed into the Arkansas River as it winds eastward through Colorado. These water supplies benefit area business and farming interests while also supplying the drinking water for the area. The Colorado Canal supplies water to nearby Lake Meredith and Lake Henry from the Arkansan River. This water is also used to for irrigation the southern portion of the county. While these waters have traditionally irrigated a large part of the county; recent sales of these waters to Aurora, CO and other entities have diminished the amount of producing lands within the recent past. Horse creek has a drainage area of 1,403 square miles.
Crowley County is a rural area with four incorporated communities. Residents are a blend of ranchers and farmers as well as those involved in government and education. Many are employed by correctional industries. While the counties traditional economic base is one of ranching and farming with larger tracts of land this is seeing a slow but steady move towards an economy based more on a higher density subdivided land area of predominately residential character. While such a movement has only just begun it has been aided by the alternative employment possibilities resulting from the areas two newer state prisons one of which is the

Arkansas Valley Correctional Facility located in Ordway. Crowley County and Ordway City Governments are leading the way is seeking other non-agricultural employment additions and have actively secured an adequate excess domestic water supply to accommodate future needs.

The Sugar City area now has a population of approximately 251 persons with Crowley County Grade School, Ward Middle School and Crowley County High School being located in nearby Ordway, CO. The Crowley County population is approximately 5,500 persons.

Access and Transportation

Interstate Highway 25 US 50 and State Highway 96, connecting the area with Denver on the north and Albuquerque, New Mexico, on the south, and provides primary access through the area.

The Burlington Northern, the Denver and Rio Grande Western and the Colorado and Southern Railroads provide railroad access to and from the area. Freight service is provided by HVH Freight Lines, with regional freight lines providing specialty freight service. There is also all weather surfaced airports located nearly in Pueblo and Colorado Springs which providing scheduled airline service to many parts of the nation.

Climate

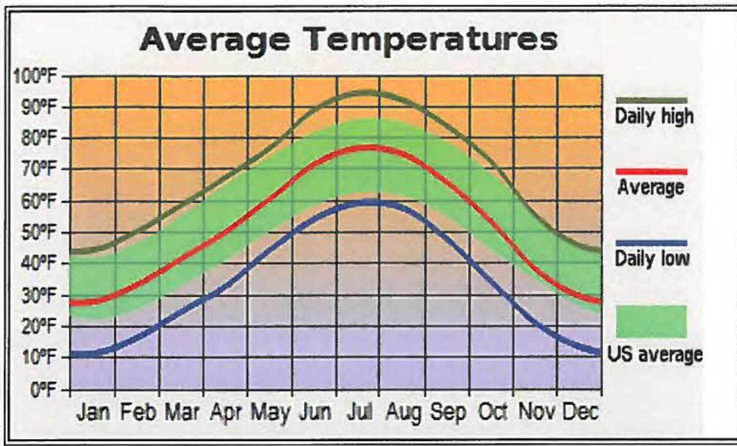
Crowley County has a semi-arid climate, characterized by moderate swings in temperature between cool summers and cold winters. Snows are generally light and stay on the ground with little winter winds. Average precipitation is moderate to low with the annual mean temperature at approximately 52°. The temperature rarely rises above 90° in the summer and normally doesn't fall below 0° in the winter.

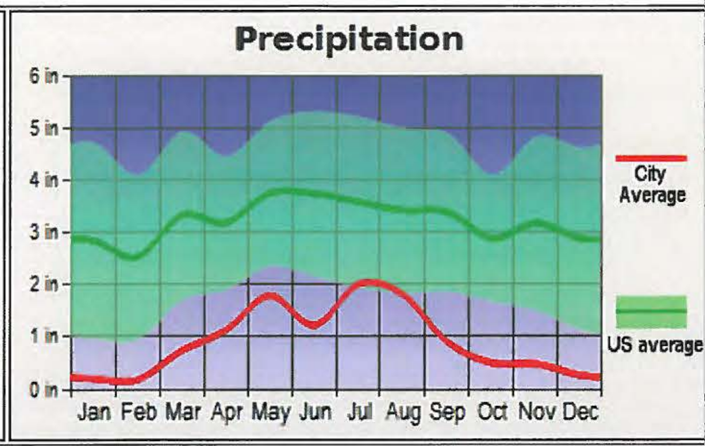
Area Economics and Population

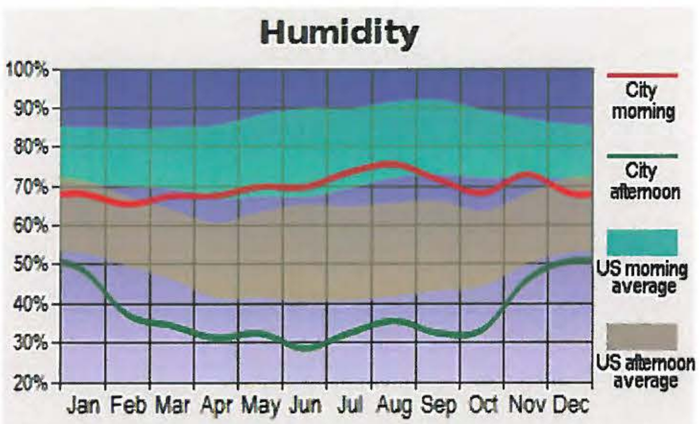
Typical street scenes show landscaping of lawns, trees, shrubs and gardens, with views of similar residences and mountain/foothills areas. There were no adverse conditions noted at the time of inspection.

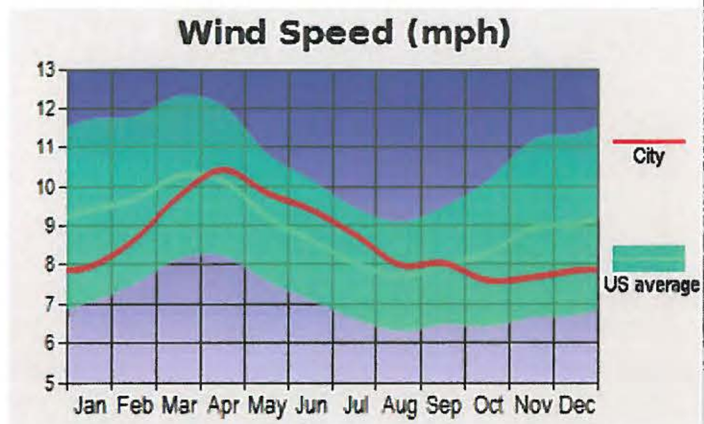
The economy of Crowley County in general and Sugar City in particular has been stable in the last two to three years. This is largely due to employment stability associated with the corrections industry.

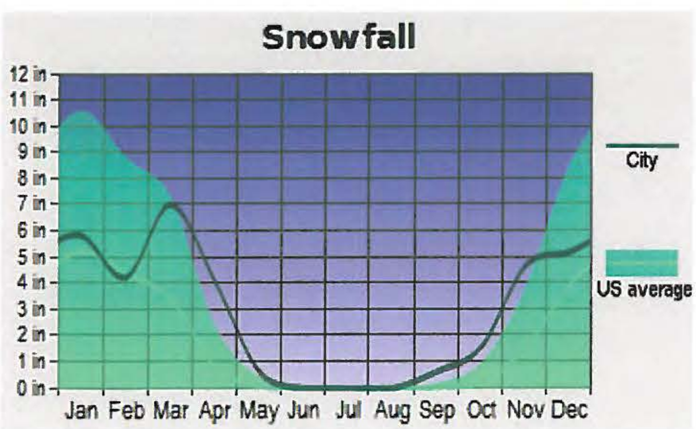
Population, housing and school enrollment trends over a period of the past decade for the entire Crowley County area are easily viewed within the following chart. The population of Sugar City in particular rose at a rate of 11.6% during the 90's which is significantly better than the rest of Crowley County. Growth has been very limited in the past few years.

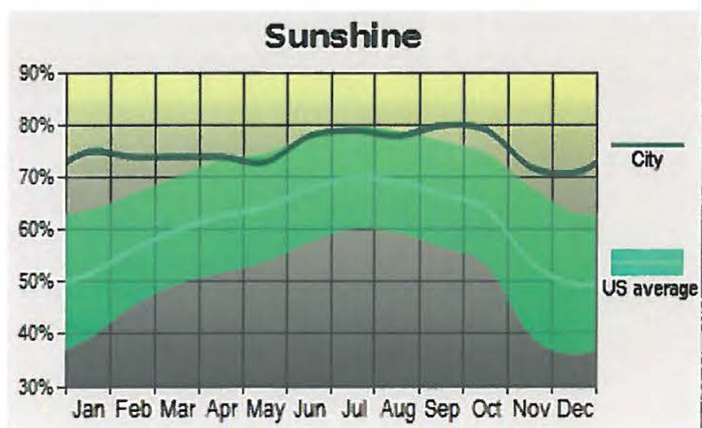

Average Temperatures
100°F
90°F
80°F
70°F
60°F
50°F
40°F
30°F
20°F
10°F
0°F
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Daily high
Average
Daily low
US average


Precipitation
6 in
5 in
4 in
3 in
2 in
1 in
0 in
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
City Average
US average


Humidity
100%
90%
80%
70%
60%
50%
40%
30%
20%
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
City morning
City afternoon
US morning average
US afternoon average


Wind Speed (mph)
13
12
11
10
9
8
7
6
5
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
City
US average


Snowfall
12 in
11 in
10 in
9 in
8 in
7 in
6 in
5 in
4 in
3 in
2 in
1 in
0 in
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
City
US average


Sunshine
90%
80%
70%
60%
50%
40%
30%
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
City
US average

SUBJECT DESCRIPTION

The subject of this appraisal is 276 Shares of Colorado Canal paired with Lake Henry and another 282.0 Shares of Colorado Canal paired with Lake Meredith. The total number of Colorado Canal Shares is 558.

Prior appropriation water rights (developed in Colorado and California) are common throughout the western states. Appropriative water rights are typically found in western states where water is the scarcest. These water rights are use based which confer the right to divert water for beneficial uses regardless of whether or not any contiguous land is owned. These water rights are based on "first in time = first in right" and when a water right is sold, it maintains its original appropriation date.

The following are principles to define prior appropriation of water.

1. An exclusive right belongs only to the original appropriator while all privileges thereafter are conditional and based upon the precedent rights.
2. This right includes the right to divert said water regardless of any shrinkage of the river or stream.
3. As stated above all privileges are conditional upon beneficial use and the water right or privilege may be lost as a result of non-use
4. The water right may be used on the land next to the water source, or on land removed from the water source or in other words riparian or non-riparian lands.

Item 3 speaks about beneficial use and these included agricultural, industrial or urban uses as well as some environmental uses.

First in time as first in right, refers to the doctrine of appropriation and basically means that the older or more senior the water right may operate to the exclusion of any junior right. First in time refers to a priority date or the date that the application for a water right was submitted. These priority dates indicate the relative seniority among users of the water with older rights being more senior and newer rights more junior.

Proceedings to determine the relative priority of claims to water rights are known as adjudications.

All states offer various ways for changing how a water right is used, or changing the point of diversion or the place of use and the purpose of use. In reviewing any request for change, consideration must be given to other water rights, the enlargement of the water right and any potential injury to the public interest.

In the past most water rights were acquired as a result of ownership of the land bordering the banks of a watercourse or from an actual use of a watercourse. Water rights can also be created by contract, as when one person transfers his water rights to another and this is the crux of what occurred when many of the canal companies were originally founded and is also the reason for this appraisal of value.

This appraisal is for 276 Shares of Colorado Canal paired with Lake Henry and another 282.0 Shares of Colorado Canal paired with Lake Meredith. The value of these Colorado Canal vary greatly due to the different storage decree dates of Lake Henry and Lake Meredith as well as the fact that the elevation of Lake Meredith precludes any gravity flow irrigation. Lake Meredith water must be exchanged through either the Holbrook Canal of the Fort Lyon Canal back to the original diversion east of Boone, CO. while the Lake Henry storage water is of sufficient elevation for gravity flow irrigation. Note: Twin Lakes also has a 1896 storage decree associated with the Colorado Canal but the subject of this appraisal does not include and Twin Lakes storage.

Said decrees follow:

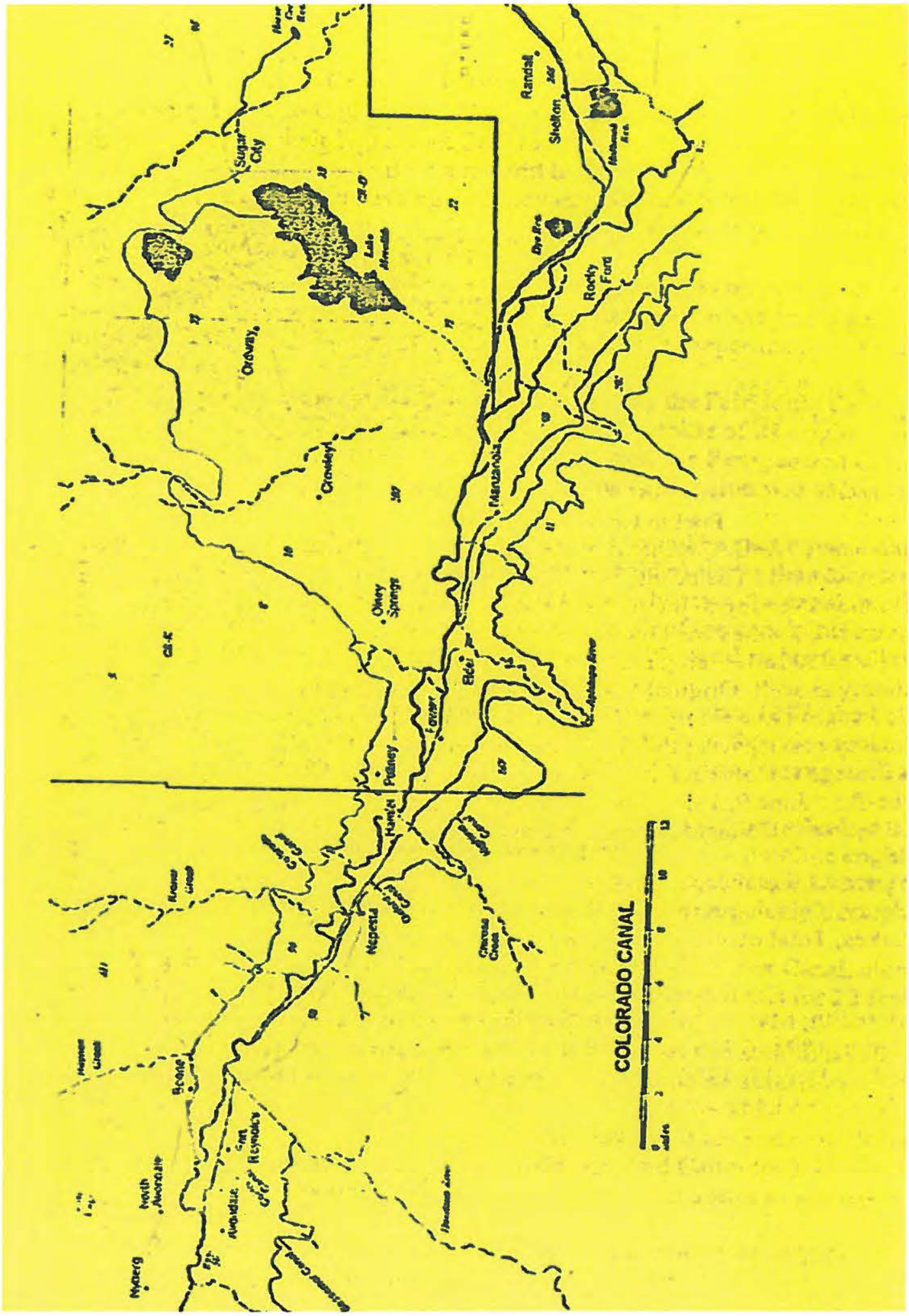
Lake Henry

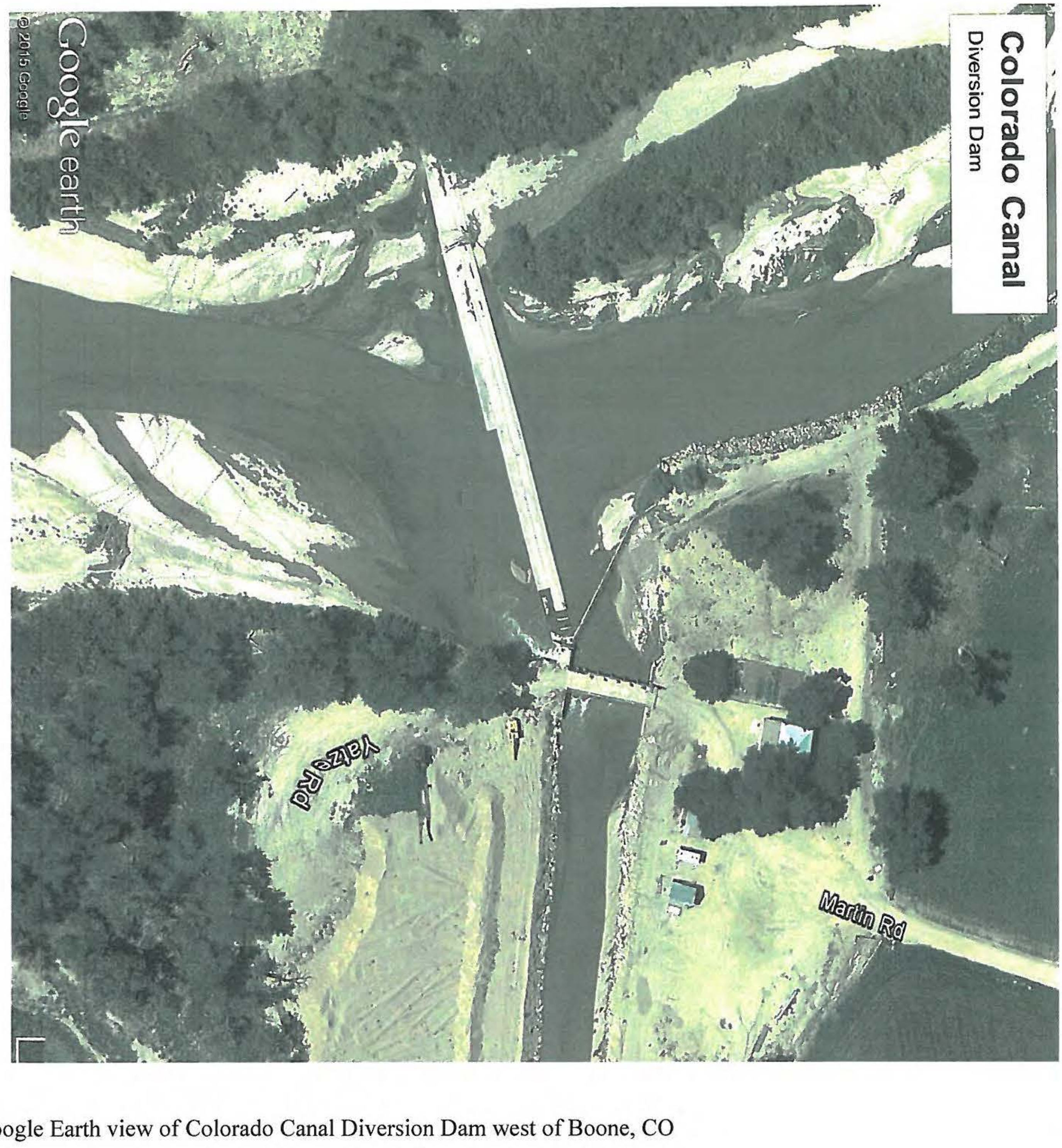
Decree date	1891 for 6,355 AF and May 15, 1909 for 3,561 AF
	While Lake Henry has a total capacity of 8,691 AF the above decrees are for 9,916 AF
Lake Meredith	March 9, 1898 for 26,028 AF

The Colorado Canal has a decree 956.28 sec-ft dated June 9, 1890.

The doctrine of appropriation creates a much greater value for Lake Henry storage because of its earlier decree date of 1891. Thus shares paired with Lake Henry will receive water to the exclusion of the more junior shares paired with Lake Meredith until the Lake Henry right is satisfied.

The following map shows the approximate path of the Colorado Canal from the diversion dam east of Boone, CO to Lake Henry and on to Lake Meredith.


COLORADO CANAL
Sugar City
Ordway
Crowley
Olney Springs
Manzanola
Rocky Ford
Fowler
Boone
Nepesta
Avondale
North Avondale
Randall
Shelton



Google Earth view of Colorado Canal Diversion Dam west of Boone, CO

HIGHEST AND BEST USE

Of considerable importance in an appraisal is the definition and determination of Highest and Best Use. The highest and best use of a property can be defined as follows:

> *The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, and financially feasible and that results in the highest value. The four criteria that highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (The Dictionary of Real Estate Appraisal, 4th Edition Appraisal Institute, Chicago, IL.)*

The definition above applies specifically to the highest and best use of the subject as vacant land or improved property. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

This concept stems from the theory that land is indestructible, goes on forever, and therefore, does not depreciate in the usually accepted manner. It has been stated that land has no value until man can use it, and that amount of the value then depends on the character of the intended use. Once a parcel of land is improved with a substantial structure, the result is an integrated unit, the parts of which, for all practical purposes, are inseparable. When a plot of ground is so improved, it is the integrated unit that must continue in the use for which the improvement is designed or to which it can be converted readily, so long as the land and building, in combination, have a higher market value than the land alone if vacant and available for a better use.

To estimate the highest and best use of land, the appraiser must consider the following questions:

- Is the purposed use physically possible on the site?
- Is the proposed use legally permissible or reasonably possible?
- Is the proposed use economically and financially feasible under existing and projected market conditions?
- Is the proposed use estimated to be the most profitable among all that are legally permissible, physically possible, and economically feasible?

HIGHEST AND BEST USE

PHYSICALLY POSSIBLE

The subject water is well suited for its current use connected with agricultural uses. It is also well suited for municipal and/or industrial usage.

LEGALLY PERMISSIBLE

The historic use of the subject water has been for agricultural use but an additional use which is also legally permissible is that of M & I water. This is due to the fact that much of the Colorado Canal water shares were sold 1974-5 for M & I uses along the front range with a change in designation from agricultural water to M&I water.

FINANCIALLY FEASIBLE

Feasible uses of a subject water shares are determined not only by physical and legal constraints, but also by current market conditions. Current market trends show commodity prices on the rise making agricultural uses for such large parcels more attractive than in the past. Countering this has been the continued rapid growth of front range municipalities and the associated hunt for adequate water supplies to support such growth. Said municipalities typically have greater influence at the state level as well as availability of capital for the purchase of water. Thus, it appears that the most financially feasible uses would be uses either associated with agriculture or other uses associated with municipal & industrial usage.

MAXIMALLY PRODUCTIVE

The maximally productive use of the subject property is partially determined by its ability to create a benefit from its uses. Based on these considerations, the highest and best use for the subject property is met by agricultural uses as well as municipal and industrial uses. After consideration of these factors it is my opinion that the Highest and Best Use for the subject is as municipal and industrial water. Even though; the possibility of drying up more irrigated farmland to supply municipalities with water for continued future growth is in the appraiser's opinion an irreversible harm.

APPROACHES TO VALUE

In the appraisal process there are three approaches to determining the value. Those approaches and the definitions of each are as follows:

COST APPROACH

The Cost Approach is a method whereby the estimated value of the land is added to the current cost to reproduce or replace the buildings minus the depreciation from all causes, evident in the structures to determine a final estimate of value of the total property. The approach is based on the fact that an informed and prudent buyer will pay no more for a property than the cost of producing a similar one having similar utility, assuming no costly delay in producing the substitute, less any depreciation that has occurred.

INCOME APPROACH

This approach is a means by which the future benefits of property ownership are converted to a current indication of value. This can be accomplished by either capitalizing a single period of income to determine value or by determining, through mathematical calculations, the present value of an income steam(s) plus the anticipated value of the property at resale (reversion).

This approach uses the net operating income potential, before debt service and involves the collection of actual data as well as market data about current rental rates of comparables. These are compared to the subject to arrive at a stabilized gross economic rental rate. Once gross potential income is established, then, vacancy and any collection losses are subtracted to arrive at the effective gross income for the subject. All fixed expenses attributable to the subject are then subtracted to arrive at net operating income before debt service. The NOI (net operating income) can then be capitalized into value using the following formula V=I/R or the value = income divided by the rate.

In "The Dictionary of Real Estate Appraisal" Second Edition, published by the American Institute of Real Estate appraisers in 1989, the Income Approach is defined:

> "Approach through which an appraiser derives a value indication for income producing property by converting anticipated benefits, i.e., cash flows and reversion, into property value. This conversion can be accomplished in two ways: One year's income expectancy or an annual average of several year's income expectancies may be capitalized at a market-derived capitalization rate or a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment; secondly, the annual cash flows may be discounted for the holding period and the reversion at a specified yield rate."

Properties similar to the subject are typically bought and sold at values based on their anticipated future income and the yield requirements of investors for that type of property.

Procedure

1. Estimate gross income of the property
2. Determine typical vacancy
3. Determine all expenses
4. Subtract expenses from gross income to develop net income.
5. Determine an appropriate capitalization rate for the subject property.
6. Divide the capitalization rate into the net income to determine market value.

Income production is not easily verifiable for the subject shares and may vary significantly; therefore, the Income Approach is not used in the report.

The Cost Approach has not been developed due to the fact that the cost of infrastructure associated with the Colorado Canal has little influence of the current market value of said shares.

ESTIMATE OF VALUE BY THE SALES COMPARISON APPROACH

The Sales Comparison Approach is a method of estimating the Market Value of a property by comparison of actual sales of similar type properties to the property under appraisement. This approach reflects the market value of a property based upon the action of typical buyers and sellers in the market and exemplifies the principles of substitution.

The "Principles of Substitution" is defined in Real Estate Appraisal Terminology Book (1982 Edition, page 234), sponsored by the Appraisal Institute, as follows:

> *"A valuation principle that states that a prudent purchaser would pay no more for real property than the cost of requiring an equally desirable substitute on the open market. The Principal of Substitution presumes that the purchaser will consider the alternative available to him, that he will act rationally or prudently on the basis of his information about those alternatives, and that time is not a significant factor. Substitution may assume the form of the purchase of an existing property, with the same utility, or of acquiring an investment which will produce an income stream of the same size with the same risk as that involved in the property in question."*

The appraiser has made a market survey to obtain sales and offerings of similar water shares. The sale of water shares associated with the Colorado Canal have been limited in the past few years. Those sales listed on the following pages may not be all such sales but are considered to be the best indication of market value.

SALES COMPARABLES OF COLORADO CANAL PAIRED WITH LAKE MEREDITH

SALES COMPARABLE 1

Number of Shares	**3 Colorado Canal** **3 Lake Meredith**
Certificate #	**986**
Grantor	**Bill Jones**
Date of Sale	**02/07/2013**
Price Per Share	**$4,500**

SALES COMPARABLE 2

Number of Shares	**173 Colorado Canal** **173 Lake Meredith**
Certificate #	**849, 930, 931, 932, 959, 1077**
Grantor	**Dines, (Thomas, Lee, Anselm) & EMSEG & Co**
Date of Sale	**09/09/2011**
Price Per Share	**$4,441**

SALES COMPARABLE 3

Number of Shares	**3**
Certificate #	**985**
Grantor	**Nancy Jones**
Date of Sale	**02/07/2013**
Price Per Share	**$4,500**

SALES COMPARABLE 4

Number of Shares	**3**
Certificate #	**984**
Grantor	**Judith Bean**
Date of Sale	**02/07/2013**
Price Per Share	**$4,500**

SALES COMPARABLES OF COLORADO CANAL PAIRED WITH LAKE HENRY

SALES COMPARABLE 1

Number of Shares	**166 Colorado Canal** **166 Lake Henry**
Certificate #	**1018**
Grantor	**Eleanor Schiro**
Date of Sale	**01/13/2012**
Price Per Share	**$10,000**

SALES COMPARABLE 2

Number of Shares	**20 Colorado Canal** **20 Lake Henry**
Certificate #	**1116**
Grantor	**Tim Schiro**
Date of Sale	**07/13/2012**
Price Per Share	**$10,000**

SALES COMPARABLE 3

Number of Shares	**20 Colorado Canal** **20 Lake Henry**
Certificate #	**1117**
Grantor	**Tom Schiro**
Date of Sale	**08/12/2012**
Price Per Share	**$10,000**

SALES COMPARABLE 4

Number of Shares	**20 Colorado Canal** **20 Lake Henry**
Certificate #	**1115**
Grantor	**Cheryl Bowen**
Date of Sale	**07/03/2012**
Price Per Share	**$10,000**

SALES COMPARABLE 5

Number of Shares	**2 Colorado Canal** **2 Lake Henry**
Certificate #	**1043**
Grantor	**Ken Hijar**
Date of Sale	**07/11/2012**
Price Per Share	**$10,000**

SALES COMPARABLE 6

Number of Shares	**1 Colorado Canal** **1 Lake Henry**
Certificate #	**1122**
Grantor	**Ken Hijar**
Date of Sale	**11/15/2012**
Price Per Share	**$10,000**

SALES COMPARABLE 7

Number of Shares	**8 Colorado Canal** **8 Lake Henry**
Certificate #	**1044**
Grantor	**Archie Hijar**
Date of Sale	**03/30/2010**
Price Per Share	**$10,000**

SALES COMPARABLE 8

Number of Shares	**8 Colorado Canal** **8 Lake Henry**
Certificate #	**1045**
Grantor	**John Hijar**
Date of Sale	**01/11/2011**
Price Per Share	**$10,000**

ADDITIONAL COMMENTS

The above comparables pages 28-29 shows that Colorado Canal Shares paired with Lake Meredith storage indicate a range from $4,441 to $4,500 per share. Review of the above comparables results in a determination for the subject of $4,500/paired share of the Colorado Canal shares paired with Lake Meredith storage rights. The sale at $4,441 per paired share is slightly less weighted due to its being somewhat more dated.

A very steady price per share of the Colorado Canal shares paired with Lake Henry of $10,000 per share is shown over a period from 2110 through 2013.

No sales of paired shares with either Lake Meredith or Lake Henry were found in a search of 2014, however, recent 2015 sales activity shows significant increases in the price of other shares or paired shares. An example of this is the appraiser's knowledge of a pending sale to be closed within 2 weeks of the date of this appraisal for Colorado Canal shares paired with Twin Lakes at a rate of $39,000 which is a significant increase over past sales.
Additionally, sales of irrigated land throughout the Arkansas Valley have seen significant appreciation from 2012 to 2015 with recent sales occurring at levels well above previous years.

CONCLUSION: SALES COMPARISON APPROACH ANALYSIS

All Comparables of paired shares have been weighted equally in the final reconciliation of each group. Calculation of the value for the subject shares, as a result of the Sales Comparison Approach, results in $4,500 per Colorado Canal share paired with Lake Meredith. Similarly the result for the Colorado Canal shares paired with Lake Henry is $10,000 per paired share.

The total of 282 shares of the Colorado Canal paired with 282 Lake Meredith is **$1,269,000.**

The total of 276 shares of the Colorado Canal paired with 276 Lake Henry is **$2,760,000.**

RECONCILIATION

Using the most appropriate methods to estimate the subject shares market value; the following indications result for both the Fee Simple Estate is as follow.

SALES COMPARISON	**$4,029,000**
COST APPROACH	**$N/A**
INCOME APPROACH	**$N/A**

The Sales Comparison Approach is considered to be reliable due to the large amount of verifiable data. Based on the information presented, it is my opinion that the subject has a current market value of:

FOUR MILLION TWENTY NINE THOUSAND DOLLARS

$4,029,000.00

A reasonable marketing time estimate at the above value is 12 months with a minimum expectation of 6 months. The preceding value estimate is also subject to the general assumptions and limiting conditions set forth in this report.

Exposure time is defined as " the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming competitive and open market."

QUALIFYING ASSUMPTIONS

The shares are actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by sellers of similar type properties.

The shares are offered at a price that reflects the most probable markup over market value used by sellers of other water shares.

A sale is consummated under the terms and conditions of the definition of market value required by the regulation.

Date of Value: March 10, 2015
Date of Report: March 13, 2015

Frank Heuett

Frank Heuett
Certified General Appraiser
(Colorado CG40006813)

ADDENDUM

LICENSE

STATE OF COLORADO
Department of Regulatory Agencies
Division of Real Estate

Active
Cert Gen Appraiser

PRINTED ON SECURE PAPER

40006813	Jan 1 2014	Dec 31 2016
Number	Issue Date	Expires

FRANK HEUETT
CANON CITY, CO 81212

Marcia Waters
Program Administrator

Frank Heuett
Licensee Signature

ORDER

Serving Bent, Crowley, Otero, Prowers and Pueblo counties
Lower Arkansas Valley WATER CONSERVANCY DISTRICT

March 13, 2015

Frank Heuett
Heuett Appraisal
418 Allison Avenue
Canon City, CO 81212

Dear Mr. Heuett,

This letter confirms our request and, with your acceptance, is the contract for your professional appraisal services.

Upon your acceptance of this assignment, the Lower Arkansas Valley Water Conservancy District authorizes you to appraise 558 shares of the Colorado Canal Company along with 276 paired shares of the Lake Henry Reservoir Company and 282 paired shares of the Lake Meredith Reservoir Company.

The fee for appraisal services rendered, payable upon our acceptance of your report, shall be $3,500.00.

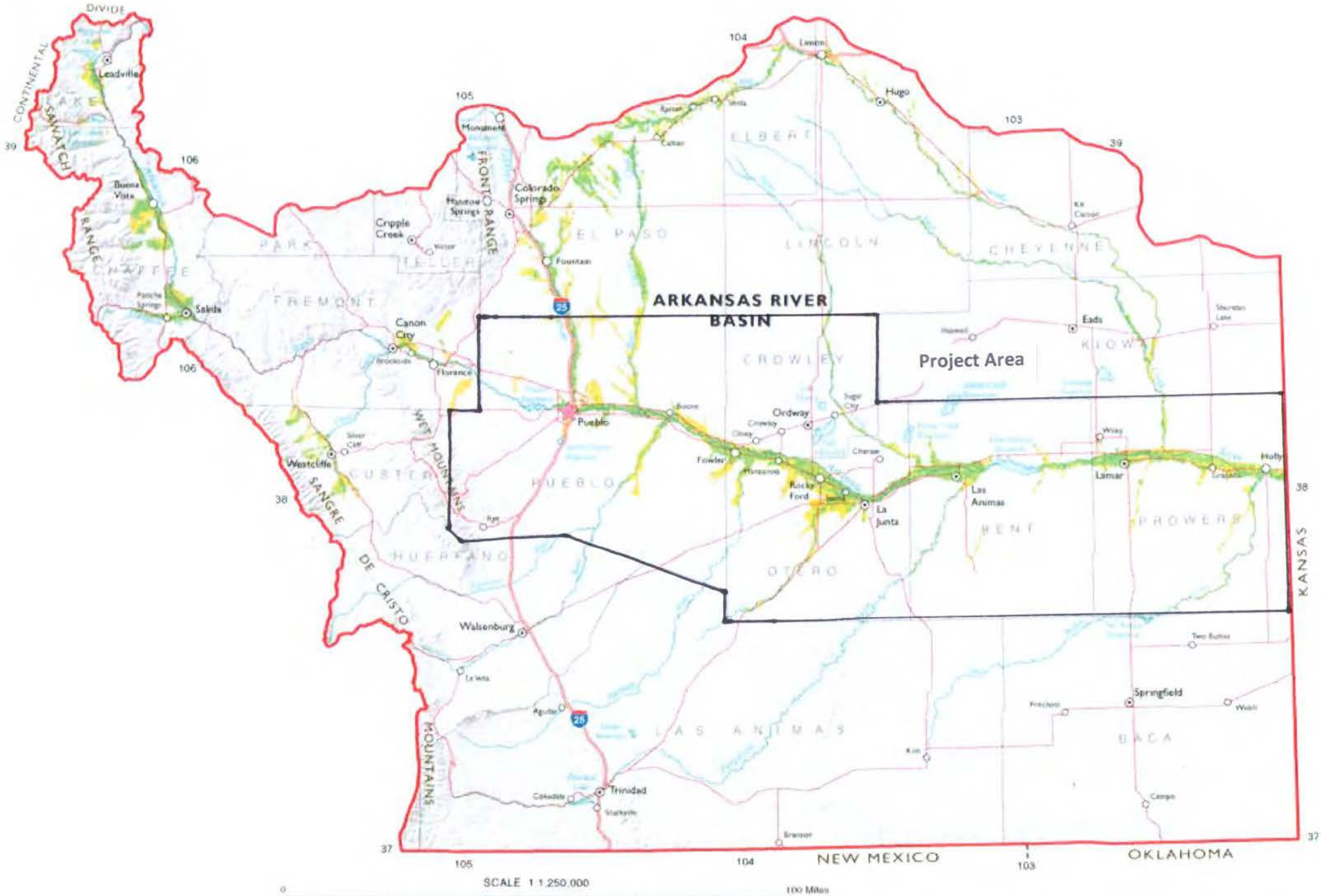
If you have any questions, please call 719/254-5155.

Thank you,

Brenda Fillmore

Brenda Fillmore
Finance/Water, LAVWCD

801 Swink Avenue, Rocky Ford, CO 81067


ARKANSAS RIVER BASIN
Project Area
Leadville
Buena Vista
Salida
Monument
Colorado Springs
Manitou Springs
Cripple Creek
Fountain
Canon City
Florence
Pueblo
Ordway
Fowler
Rocky Ford
La Junta
Las Animas
Lamar
Holly
Eads
Hugo
Limon
Westcliffe
Walsenburg
Trinidad
Springfield
FREMONT
EL PASO
LINCOLN
CHEYENNE
ELBERT
CROWLEY
KIOWA
PUEBLO
OTERO
BENT
PROWERS
HUERFANO
LAS ANIMAS
BACA
CUSTER
PARK
TELLER
CHAFFEE
LAKE
FRONT RANGE
WET MOUNTAINS
SANGRE DE CRISTO MOUNTAINS
SAWATCH RANGE
CONTINENTAL DIVIDE
NEW MEXICO
OKLAHOMA
KANSAS
SCALE 1:1,250,000
0
100 Miles
104
105
106
103
39
38
37

APPENDIX C
(WATER RIGHTS)

Certificate No. 465 evidencing one share of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1123 evidencing one share of Colorado Canal Company Capital Stock,
Certificate No. 455 evidencing two shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1114 evidencing two shares of Colorado Canal Company Capital Stock,
Certificate No. 436 evidencing twenty shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1046 evidencing twenty shares of Colorado Canal Company Capital Stock,
Certificate No. 423 evidencing five shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1027 evidencing one share of Colorado Canal Company Capital Stock,
Certificate No. 438 evidencing three shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1050 evidencing three shares of Colorado Canal Company Capital Stock,
Certificate No. 440 evidencing eight shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1056 evidencing eight shares of Colorado Canal Company Capital Stock,
Certificate No. 437 evidencing eight shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1049 evidencing eight shares of Colorado Canal Company Capital Stock,
Certificate No. 449 evidencing eight shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1085 evidencing eight shares of Colorado Canal Company Capital Stock,
Certificate No. 441 evidencing four shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1067 evidencing four shares of Colorado Canal Company Capital Stock,
Certificate No. 448 evidencing one share of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1081 evidencing one share of Colorado Canal Company Capital Stock,
Certificate No. 443 evidencing eight shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1071 evidencing eight shares of Colorado Canal Company Capital Stock,
Certificate No. 446 evidencing two shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1079 evidencing two shares of Colorado Canal Company Capital Stock,
Certificate No. 4975 evidencing nine shares of Lake Meredith Reservoir Company Capital Stock,
Certificate No. 1126 evidencing nine shares of Colorado Canal Company Capital Stock,
as well as all rights and interest of Debtor's now held or hereinafter acquired in
Certificate No. 460 evidencing twenty shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1118 evidencing twenty shares of Colorado Canal Company Capital Stock,
Certificate No. 461 evidencing twenty shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1119 evidencing twenty shares of Colorado Canal Company Capital Stock,
Certificate No. 451 evidencing one hundred forty nine and 400/1000 shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1089 evidencing one hundred forty nine and 400/1000 shares of Colorado Canal Company Capital Stock,
Certificate No. 450 evidencing sixteen and 600/1000 shares of Lake Henry Reservoir Company Capital Stock,
Certificate No. 1088 evidencing sixteen and 600/1000 shares of Colorado Canal Company Capital Stock,
Certificate No. 4951 evidencing one hundred seventy three shares of Lake Meredith Reservoir Company Capital Stock,
Certificate No. 1087 evidencing one hundred seventy three shares of Colorado Canal Company Capital Stock,
Certificate No. 4916 evidencing one hundred shares of Lake Meredith Reservoir Company Capital Stock,
Certificate No. 1031 evidencing one hundred shares of Colorado Canal Company Capital Stock,

COPY

NOV 13 '86

Filed in the office of the Clerk District Court Water Division No 2 State of Colorado

DISTRICT COURT, WATER DIVISION NO. 2, STATE OF COLORADO OCT 31 1985

Consolidated Case Nos. 84CW62, 84CW63 and 84CW64

FINDINGS OF FACT, CONCLUSIONS OF LAW, JUDGMENT AND DECREE

Clerk

CONCERNING THE APPLICATION FOR WATER RIGHTS OF THE COLORADO CANAL COMPANY and FOXLEY & CO., Majority Stockholder, and THE CITY OF COLORADO SPRINGS

IN CROWLEY, PUEBLO, LAKE, CHAFFEE, FREMONT, EL PASO AND OTERO COUNTIES Case No. 84CW62

CONCERNING THE APPLICATION FOR WATER RIGHTS OF THE LAKE MEREDITH RESERVOIR COMPANY and FOXLEY & CO., Majority Stockholder, and THE CITY OF COLORADO SPRINGS

IN CROWLEY, PUEBLO, LAKE, CHAFFEE, FREMONT, EL PASO AND OTERO COUNTIES Case No. 84CW63

CONCERNING THE APPLICATION FOR WATER RIGHTS OF THE LAKE HENRY RESERVOIR COMPANY and FOXLEY & CO., Majority Stockholder, and THE CITY OF COLORADO SPRINGS

IN CROWLEY, PUEBLO, LAKE, CHAFFEE, FREMONT, EL PASO, AND OTERO COUNTIES Case No. 84CW64

THIS MATTER is before the Court for hearing upon the applications of the above-named Applicants for change of water rights, including adjudication of existing and proposed exchanges and substitutions, as to the use of certain rights and priorities to the use of water from the Arkansas River, Water Division No. 2

The Applicant canal and reservoir companies, acting on behalf of themselves and all their respective stockholders, together with their majority stockholder, Foxley & Co., appeared by John Wittemyer and Timothy J Beaton of Moses, Wittemyer, Harrison and Woodruff, P C Those minority stockholders who filed a statement of opposition (the "Proxy Group") appeared by Robert F T Krassa for the purpose of ensuring that adequate terms and conditions are imposed to protect their interests and, with that exception, ratified the mutual companies' filing of these applications on their behalf (The various individual stockholders of the companies, including Foxley & Co., will hereinafter be collectively referred to as "Applicant Stockholders" The term "Applicants" will refer only to the companies and their Stockholders)

EXHIBIT G

By Purchase and Sale Agreement dated March 20, 1985, the City of Colorado Springs ("Colorado Springs") has contracted to purchase substantially all of the Foxley & Co. ownership in the Applicant canal and reservoir companies, subject to certain preconditions and other terms specified in the agreement. Colorado Springs subsequently moved for realignment along with Applicants, which motion was granted. Colorado Springs appeared by Gregory L. Johnson of Horn, Anderson & Johnson and by John U. Carlson of Carlson, Elliott & Land.

At various times in these proceedings, the following objectors and counsel have appeared: the Holbrook Mutual Irrigating Co. by Ralph N. Wadleigh, the Southeastern Colorado Water Conservancy District by Howard Holme and Kevin B. Pratt of Fairfield and Woods, the State Engineer, Jeris A. Danielson, and the Division Engineer, Robert W. Jesse, by the Attorney General of Colorado, William A. Paddock, First Assistant Attorney General, and William H. Bassett, Assistant Attorney General; Public Service Company of Colorado by Timothy J. Flanagan of Kelly, Stansfield & O'Donnell; the City of Aspen and the Board of County Commissioners of Pitkin County by John D. Musick, Jr. and Robert F Wigington of Musick and Cope; St. Charles Mesa Water Association and the Arkansas Valley Ditch Association by Rexford L. Mitchell of Mitchell & Mitchell, P.C.; the Fort Lyon Canal Company by Wayne B Schroeder and David C. Hallford of Calkins, Kramer, Grimshaw & Harring, and by John J. Lefferdink of Lefferdink and Davis; the Board of Water Works of Pueblo by William F. Mattoon of Peterson & Fonda, P.C., and by John U. Carlson of Carlson, Elliott & Land; and Resource Investment Group, Ltd. by Frederick A. Fendel of Broadhurst & Petrock and William A. Hillhouse II of Davis, Graham & Stubbs.

The Court, having considered the evidence and testimony presented, having examined all exhibits, statements of counsel, the applications as amended, and all other pleadings herein, and being fully advised in the premises, doth upon such evidence and after due consideration of pertinent law make the following Findings of Fact:

FINDINGS OF FACT

1 The applications were all filed with the Water Clerk on Ma 31, 1984. The applications in Case Nos 84CW63 (Lake Meredith Reservoir) and 84CW64 (Lake Henry Reservoir) were amended, as a matter of right, to correct a typographical error in the description of the Colorado Canal headgate.

2 The applications, as amended, were duly published according to statute, and all persons have notice of the applications pursuant to statute. The applications were re-referred by the Water Referee to the Water Judge, and the Water Judge has jurisdiction over the applications, as amended. The District Court for Water Division No. 2 has jurisdiction over the Applicants, the objectors and other persons and water users interested in or affected by these proceedings whether or not they have appeared in these proceedings.

3. The Court entered a written order on September 20, 1984 consolidating the three cases for further proceedings; providing, however, that, to the extent necessary, separate decrees will be entered in each respective case. The Court intends by this Findings of Fact, Conclusions of Law, Judgment and Decree to find the facts and make conclusions applicable to all three cases.

4. The Colorado Canal is decreed the right to divert 756.28 cubic feet of water per second of time from the Arkansas River for direct flow irrigation use with a priority date of June 9, 1890 Its headgate and point of diversion is located approximately 15 miles downstream from Pueblo near Boone, Colorado and was originally decreed at a point on the North bank of the Arkansas River in the NE¼ of the NE¼, Section 10, T21S, R62W, at a point bearing S 0°58'W 426 feet from the S.W. corner of Section 2, T21S, R62W of the 6th P.M., in Pueblo County, Colorado. The Arkansas River has shifted and relicted to the northeast to the extent that the center of the diversion gates is located slightly more than 300 feet northeasterly at a point in the NW¼ of the NW¼ of Section 11, Township 21 South, Range 62 West of the 6th P.M , at a point bearing South 63°14' East a distance of 117.3 feet from the S.W. corner of said Section 2. The Arkansas River is in excess of 500 feet wide at the Colorado Canal diversion dam and either point, one on the bank and one further out in the river, accurately describe the headgate of the Colorado Canal as originally decreed and constructed (the "Colorado Canal Headgate").

5 The water right decreed to the Colorado Canal was divided into 833 separate water rights, each of which was intended to serve 80 acres (the "Direct Flow Rights"). 700, or portions thereof, were conveyed by deed to farmers under the Colorado Canal The remaining 133 were conveyed to the predecessor of the Colorado Canal Company. That residual interest,

together with all interests which have been purchased into the treasury since that time, are now held by the Colorado Canal Company for the benefit of its stockholders. Shares of capital stock in the Colorado Canal Company were issued only to the owners of the Direct Flow Rights in the ratio of one share for each eightieth of an eighty-acre water right. There are 49,638.975 acres to which interests in the Direct Flow Rights are appurtenant with 49,133.009 shares actually issued and outstanding.

6. The Colorado Canal Applicants in 84CW62 seek a change of water rights for the Direct Flow Rights to permit, as additional alternatives to direct flow irrigation use:

6.1 The storage in either Lake Henry Reservoir or Lake Meredith Reservoir of waters diverted thereunder with subsequent releases from storage, as necessary, to maintain historic return flow patterns.

6 2 The use and total consumption of the remainder of such stored waters, either directly or by exchange or substitution, for irrigation, domestic, municipal, commercial, industrial and all other beneficial uses at any location where the water can be put to beneficial use.

7 Lake Meredith Reservoir Company, a mutual reservoir company with 40,621 385 outstanding shares of capital stock, owns Lake Meredith Reservoir and the record title to the water storage rights decreed thereto (the "Lake Meredith Storage Rights") which

7 1 Authorize the storage of 26,028.4 acre-feet with diversions from the Arkansas River through the Colorado Canal at a rate of 756.28 c.f.s. under a priority of March 9, 1898.

7.2 Authorize the release of waters stored in Lake Meredith Reservoir and the exchange of such released waters for waters diverted at the Colorado Canal Headgate for irrigation purposes with an exchange priority of March 9, 1898.

Lake Meredith Reservoir has an active storage capacity of 41,413 acre-feet Each stockholder is entitled to a pro-rata portion of the waters realized from the operation of Lake Meredith Reservoir and the use of a pro-rata portion of Lake Meredith Reservoir space

8 The Lake Meredith Applicants in 84CW63 seek a change of water right to permit, as additional alternatives to storage in Lake Meredith Reservoir for irrigation use by exchange, the following alternate use:

8.1 The release from storage, as necessary, of sufficient water to maintain historic return flow patterns and a change for the balance of the water to use for total consumption either directly or by exchange or substitution for irrigation, domestic, municipal, commercial, industrial and all beneficial uses at any location where the water can be put to beneficial use.

8.2 A change in the decreed right to exchange under priority date of March 9, 1898 so as to add, as an alternate to exchanges to the headgate of the Colorado Canal, the right to exchange or substitute waters released through the Lake Meredith Reservoir Outlet Canal for waters that would otherwise be released from storage in or passed through Pueblo Reservoir, which waters shall be retained in storage in Pueblo Reservoir for ultimate irrigation, domestic, municipal, commercial, industrial and all other beneficial uses at any location where the water can be put to beneficial use.

9 Lake Henry Reservoir Company, a mutual reservoir company with 8,967.58 outstanding shares of capital stock, owns Lake Henry Reservoir and record title to the water storage rights decreed thereto by the District Court, Pueblo County (the "Lake Henry Storage Rights"), which are:

9.1 The right to store 6,355 acre-feet for irrigation use with diversions from the Arkansas River through the Colorado Canal at a rate of 756 c.f.s. under a priority of 1891.

9.2 The right to store 2,000 acre-feet for uses other than irrigation with diversions from the Arkansas River through the Colorado Canal at a rate of 756 c.f.s. under a priority of September 10, 1900.

9.3 The right to store 3,561 acre-feet for irrigation use with diversion from the Arkansas River through the Colorado Canal at a rate of 756 c.f.s under a priority of May 15, 1909.

Lake Henry Reservoir has an active capacity for irrigatión use of 10,915 acre-feet with approximately 1500 acre-feet of additional capacity available by pipeline for feedlot and sugar factory use. Each stockholder is entitled to a pro-rata portion of the waters realized from the operation of Lake Henry Reservoir and the use of a pro-rata portion of Lake Henry Reservoir space.

10. The Lake Henry Applicants in 84CW64 seek a change of water rights to permit, as additional alternatives to storage in Lake Henry Reservoir for presently decreed uses, the following:

10 1 The release from storage, as necessary, of sufficient water to maintain historic return flow patterns and a change for the balance of the water to permit use and total consumption, either directly or by exchange or substitution for irrigation, domestic, municipal, commercial, industrial and all beneficial uses at any location where the water can be put to beneficial use.

10 2 A change in the place of storage to add, as an alternate place of storage, Lake Meredith Reservoir.

11. The Applicants in 84CW62, 84CW63 and 84CW64 seek recognition, confirmation and adjudication of an existing and proposed exchange and substitution of waters in storage in either Lake Henry Reservoir or Lake Meredith Reservoir to storage at Pueblo Reservoir by releasing such waters to and through the Lake Meredith Reservoir Outlet Canal to the Holbrook Canal, the Fort Lyon Storage Canal or the Arkansas River and substituting or exchanging such waters for waters that would otherwise be released from storage in or passed through Pueblo Reservoir. Applicants seek a priority date for such exchange or substitution of April 14, 1981 and propose that it be annually limited as follows:

11.1 To that quantity which can be exchanged or substituted utilizing the present active storage capacity of Lake Henry Reservoir which is 10,915 acre-feet.

11.2 To that quantity which can be exchanged or substituted utilizing the present active storage capacity of Lake Meredith Reservoir which is 41,413 acre-feet.

11 3 To a rate of exchange or substitution not to exceed 756.28 cubic feet per second of time

12. The Applicants in 84CW62, 84CW63 and 84CW64 also seek recognition, confirmation and adjudication of a proposed exchange and substitution of waters in storage in either Lake Henry Reservoir, Lake Meredith Reservoir or Pueblo Reservoir by releasing such waters to the Arkansas River, the Holbrook Canal or the Fort Lyon Storage Canal, as the case may be, in exchange or substitution for waters placed in upstream storage in either Turquoise Reservoir, Twin Lakes Reservoir or Clear Creek Reservoir. Applicants seek a priority date for such exchange or substitution of April 14, 1981.

13. Applicants have, since 1975, participated in the winter water program which is an existing exchange and substitution program whereby waters are stored in Pueblo Reservoir and made available to meet the appropriative requirements of Applicants and other participating senior appropriators. Applicants have agreed to participate in the formalization of a winter water program so long as it is substantially the same as the programs for 1982-1983 or 1983-1984 and have joined as applicants in Case No 84CW179 now pending before this Court which seeks to formally decree that program. Applicants propose that until the winter water program is formalized, and at any time that such decreed program is not in effect, the Water Rights, as changed herein, and the rights of exchange and substitution sought herein shall be exercised during the period from November 15th through March 15th of the following year, without asserting any earlier priority date by virtue of participation in the voluntary winter water program.

14. The reservoirs and facilities not previously described herein which Applicants propose to utilize pursuant to these consolidated applications are more particularly described as follows.

14.1 <u>Lake Meredith Reservoir ("Lake Meredith")</u>.

Lake Meredith Reservoir is located in all or portions of Sections 15, 16, 19, 20, 21, 22, 27, 28, 29, 30, 31, 32 and 33 in Township 21 South, Range 56 West, Sections 1, 6 and 12 in Township 22 South, Range 57 West, and in Sections 24, 25 and 36 in Township 21 South, Range 57 West, all from the 6th P.M., in Crowley County, Colorado. The Lake Meredith Reservoir dam axis and the centerline of the outlet canal intersect at a point located in the NW¼ of the SW¼ of Section 12, Township 22 South, Range 57 West of the 6th P.M., at a point from which the West Quarter

Corner of said Section 12 bears North 27°14' West a distance of 564 30 feet.

14.2 Lake Meredith Reservoir Outlet Canal (the "Outlet Canal").

Waters released from Lake Meredith Reservoir are carried through the Outlet Canal to a point in the South Half of Section 21, Township 22 South, Range 57 West of the 6th P.M., where they can be released to the Holbrook Canal and/or discharged into the Fort Lyon Storage Canal whence they are carried southeasterly approximately one-half mile in the Fort Lyon Storage Canal to a point at which they either continue in said Fort Lyon Storage Canal or are discharged through a headgate on its Southerly bank in the Southwest Quarter of Section 22, Township 22 South, Range 57 West of the 6th P.M., in Crowley County, Colorado whence they travel South-Southeast approximately one mile to discharge into the Arkansas River in the NW¼ of the SE¼ of Section 22, Township 22 South, Range 57 West of the 6th P.M., in Otero County, Colorado.

14.3 Lake Henry Reservoir ("Lake Henry").

Lake Henry Reservoir is located in all or portions of Sections 31 and 32, Township 20 South, Range 56 West, and Sections 5 and 6, Township 21 South, Range 56 West, all from the 6th P.M., in Crowley County, Colorado; the primary outlet works for Lake Henry Reservoir are located in the South Half of said Section 6 and the Lake Henry Reservoir dam axis and the centerline of the outlet canal intersect at a point on the West line of the Southeast Quarter of said Section 6 a distance of 512 feet South of the center of Section 6, Township 21 South, Range 56 West of the 6th P.M., in Crowley County, Colorado.

14.4 Pueblo Reservoir.

Pueblo Reservoir is located in all or portions of Sections 7, 18, 19, 20, 21, 22, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35 and 36 in Township 20 South, Range 66 West, Sections 1, 2, 3, 4, 5, 9, 10 and 11 in Township 21 South, Range 66 West, and Sections 5, 8, 9, 13, 14, 15, 16, 22, 23 and 25 in Township 20 South, Range 67 West, all from the 6th P.M., in Pueblo County, Colorado. The Pueblo Reservoir dam axis and the centerline of the Arkansas River intersect at a point in Section 36, Township 20

South, Range 66 West of the 6th P.M., from which the Northeast corner of said Section 36 bears North 61°21'20" East a distance of 2,511.05 feet, all as more particularly described in the decree in Case No. B-42135 (District Court, Pueblo County).

14.5 Twin Lakes Reservoir.

Twin Lakes Reservoir is located in all or portions of Sections 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and 30 in Township 11 South, Range 81 West of the 6th P.M., in Lake County, Colorado. The Twin Lakes dam axis and the centerline of Lake Creek intersect at a point whence the Southeast corner of Section 23, Township 11 South, Range 1 West of the 6th P.M., bears South 54°13'08" East a distance of 3,803.10 feet, all as more particularly described in the decree in Civil Action No. 5141 (District Court, Chaffee County).

14.6 Turquoise Reservoir.

Turquoise Reservoir is located in all or portions of Sections 7, 8, 17, 18, 19, and 20, Township 9 South, Range 80 West, and Sections 10, 11, 12, 13, 14 and 15, Township 9 South, Range 81 West, all from the 6th P.M., in Lake County, Colorado. The Turquoise Reservoir dam axis and the centerline of Lake Fork Creek intersect at a point whence the Northwest corner of Section 16, Township 9 South, Range 80 West of the 6th P.M., bears North 44°46'18" East a distance of 10,344.35 feet, all as more particularly described in the decree in Civil Action No. 5141 (District Court, Chaffee County)

14.7 Clear Creek Reservoir.

Clear Creek Reservoir is located in all or part of Sections 7 and 8, Township 12 South, Range 79 West of the 6th P.M., in Lake County, Colorado. The Clear Creek Reservoir dam axis and the centerline of Clear Creek intersect at a point whence the South Quarter corner of Section 8, Township 12 South, Range 79 West of the 6th P.M., bears South 27° West a distance of 2,255 feet.

15. The February, 1985 report prepared by W W Wheeler & Associates, Inc, as revised in August and October, entitled "Final Report, Colorado Canal, Lake Meredith, Lake Henry, Change

of Water Rights" (hereinafter the "Wheeler Report"), constitutes a detailed analysis of the historic use of the Direct Flow Rights, the Lake Henry Storage Rights and the Lake Meredith Storage Rights (hereinafter and heretofore collectively referred to as the "Water Rights"). The Wheeler Report is incorporated into the findings by this reference and shall be physically attached to this Decree and shall be made a part of this Decree; however, the provisions of this Decree and the various stipulations between the parties control over the provisions of the Wheeler Report in case of conflict between such provisions. Relevant facts, analyzed and explained in greater detail in the Wheeler Report, which the Court finds are·

15.1 All of the Water Rights have historically been diverted through the Colorado Canal and used to irrigate at least 47,373 acres in Pueblo and Crowley Counties located below the Canal. The Direct Flow Rights have historically been used for direct irrigation. The Lake Henry Storage Rights have been carried through the Colorado Canal to Lake Henry Reservoir where they have been stored for subsequent irrigation and sugar factory use. The Lake Meredith Storage Rights have been carried through the Colorado Canal to Lake Meredith Reservoir where they have been stored for subsequent irrigation use by exchange. As Lake Meredith is located at a lower elevation than the lands which it is used to irrigate, stored waters are released to downstream use and, by exchange, an equivalent quantity (historically sometimes increased by 4% to reflect an asserted transit loss credit) has been diverted at the Colorado Canal Headgate and used to actually irrigate the lands entitled to Lake Meredith Storage Rights

15.2 Historic diversion records maintained by the Colorado State Engineer have not consistently distinguished, by source, the various waters carried through the Colorado Canal The Wheeler Report includes a comprehensive and precise reconciliation and summary of historic diversions, by source, through the Colorado Canal for the 30-year period 1954 through 1983 (the "Study Period"). This is a representative period, which avoids the distortion of the extremely wet year of 1984 and does not overemphasize the repeated dry years of the early 1950's. The Wheeler Report is found by the Court to most accurately summarize historic diversions through the Colorado Canal during the Study Period

15.3 Using Colorado agricultural statistics for 1951, 1954, 1956, and 1964 through 1983, the average cropping pattern under the Colorado Canal system was determined and is set forth in the Wheeler Report. The principal crops were alfalfa, field corn, sorghum, spring grains, pasture grass, sugar beets and winter wheat.

15.4 The potential consumptive use of irrigation water for crops irrigated by the Water Rights was calculated in the Wheeler Report by the modified Blaney-Criddle method. Temperature data for the Rocky Ford weather station and precipitation data for the Ordway weather station was used in the calculations. The weighted potential unit consumptive use of irrigation water for all crops on a monthly basis for each year of the Study Period was determined and is set forth in Table 10. Except for limited wet periods, the water supply was insufficient to supply the water which the irrigated acreage was capable of consuming.

15.5 As is the case with all water-short systems, the net reduction in river flow is the amount of water removed from the river pursuant to the use of the water rights less the amount of water returned to the river as a result of the use of the water. River depletion historically was a function of diversions from the river, consumptive use, surface runoff, and groundwater flow which returned to the river. Much of the land that is irrigated by the water diverted through the Colorado Canal is unique in the fact that surface water and groundwater drain into Lake Meredith which originally was a natural lake. 15,461 acres receiving Lake Meredith Storage Rights were tributary to the Arkansas River, 23,191 acres receiving Lake Meredith Storage Rights returned to Lake Meredith, 5,029 acres receiving Lake Henry Storage Rights returned to Lake Meredith, and 3,692 acres receiving Lake Henry Storage Rights were tributary to Horse Creek, a tributary of the Arkansas River. All lands received Direct Flow Rights.

To determine historic depletion, four separate operational studies were required The criteria used in the Wheeler Report for the operational studies was conservative.

15 5.1 Maximum irrigation efficiency varied by month ranging from a low of 35% to a high of 75%.

15.5.2 Potential consumptive use became an upper limit during wet periods.

15.5.3 Maximum soil moisture storage capability of 0.87 acre-feet per acre was assumed.

15.5.4 Canal loss actually consumed was assumed to be only 5% of the total canal loss.

15.5.5 Return flows to the river were determined as if wells did not exist.

15.5.6 Underground return flows were calculated using the Glover Formula.

15.5.7 Surface return flows were estimated based on field investigations, analysis of water use practices, and engineering judgment.

On an average annual basis, the river depletion, as a result of the historic exercise of the Water Rights, was 33,548 acre-feet. This means that of the 44,429 acre-feet of historic average annual diversions, 33,548 acre-feet were completely consumed by consumptive use or evaporation.

16 The Applicants have, over the years, followed an existing practice of using Lake Meredith Reservoir by exchange whenever the water could be exchanged or substituted and put to beneficial use.

16.1 Waters in storage in Lake Meredith have been exchanged to the Colorado Canal Headgate for direct irrigation use pursuant to the originally decreed exchange priority of March 9, 1898.

16.2 Since December 1, 1975, Lake Henry and Lake Meredith have been used to store winter storage program waters. Waters stored under the program have been used by exchange to the Colorado Canal Headgate and, since 1981, to Pueblo Reservoir

16.3 Since April 14, 1981, waters in storage in Lake Meredith, from whatever source, have been exchanged to Pueblo Reservoir for irrigation and feedlot purposes. Storage space in Pueblo Reservoir has been used and reused and existing exchanges and substitutions of up to 6,779.21 acre-feet annually have occurred historically.

These existing exchanges and substitutions have been limited by the carrying capacity of the Lake Meredith Reservoir Outlet Canal. So long as the priority to conduct an exchange or substitution in the future is limited to the quantity historically exchanged or substituted and historic return flows from the historical use of the water are maintained, other water users will not be injured by a change in the type of use to which the water is applied.

17. Since 1970, the Board of Directors of The Lake Meredith Reservoir Company has always been composed of the same individuals that constitute the Board of Directors of The Colorado Canal Company (the "Board"). In 1975, and from time to time thereafter, the Board discussed in detail a proposed plan to exchange and substitute waters stored in Lake Henry, Lake Meredith and/or Pueblo Reservoir to Pueblo Reservoir, Clear Creek Reservoir, Twin Lakes Reservoir and Turquoise Reservoir to be used for any beneficial purpose. On April 14, 1981, a formal resolution was adopted on behalf of The Lake Meredith Reservoir Company to lease 8,000 acre-feet of reservoir space in Pueblo Reservoir. This was the first formal overt action by the Board in implementation and appropriation of this overall plan of exchange and substitution In 1983, an additional 10,000 acre-feet of reservoir space was leased in Pueblo Reservoir by the Colorado Canal Company, and in 1984, these actions to adjudicate this proposed plan of exchange and substitution were authorized and initiated. The proposed plan of exchange and substitution, to the extent it is prospective and conditional in nature, is only entitled to relate back to the date of formal initiation of the plan with respect to other rights filed for adjudication in 1984 and shall be administered the same as any other water right filed for adjudication in 1984

18 Applicants propose to divert the Water Rights through the Colorado Canal and to store in Lake Henry and/or Lake Meredith all waters attributable to shares used for non-agricultural purposes. A portion of the stored waters will be released at the times and in the amounts necessary to maintain the historic return flow pattern The remainder represents waters historically consumed and can be used to extinction either directly or by exchange for any beneficial purpose Applicants propose to utilize the Water Rights only under the following conditions which the Court finds adequate to prevent injury to any owner of

or other person lawfully entitled to use water under a vested water right or decreed conditional water right:

18.1 The return flow historically resulting from the exercise of the Water Rights which is to be replaced by reservoir releases to the river or by other sources is a function of the quantity of water diverted into the Colorado Canal in the exercise of the Water Rights during the four previous 12-month periods. The factors developed from the operational studies by the Wheeler Report will be multiplied times the quantities diverted during the applicable 12-month period and the results added to arrive at the quantity to be released during the month for return flow replacement. The factors are as follows:

Period	Factor
First previous 12-month period	.0036
Second previous 12-month period	.0022
Third previous 12-month period	.0015
Fourth previous 12-month period	.0011

18 2 The water remaining after actual ditch and reservoir seepage and return flow replacements have been deducted represents the net water totally lost to the Arkansas River system as a result of the historic use of the Water Rights (such "Net Loss Water" being defined as the difference between the amount of water available and historically diverted for irrigation and the historic return flows). Such Net Loss Water is and shall be available for use and total consumption for any beneficial purpose, including storage, either directly or by exchange or substitution to upstream reservoirs, free of deed or corporate restriction limiting the place or nature of use.

18.3 During the period November 15th through March 15th, until the winter water program now pending in Case No. 84CW179 is decreed, or at any time that a winter water program, whether decreed or voluntary, is not in effect, the Water Rights shall be diverted through the Colorado Canal, waters attributable to shares used for non-irrigation purposes shall be stored in Lake Henry and/or Lake Meredith, releases to compensate for historic return flows shall be made pursuant to paragraph 18 1 hereof and the remaining waters may be used pursuant to paragraph 18.2 hereof.

18.4 Any waters which the Applicants may receive in the operation of a winter water program decreed in Case No. 84CW179 ("Winter Waters") would have been used for irrigation under the Colorado Canal system. The proportion of return flow reaching the Arkansas River from such irrigation use would be the same as the historic return flows resulting from the historic irrigation use of the Water Rights. A portion of any Winter Waters credited to the Applicants in Lake Henry and/or Lake Meredith attributable to shares used for non-irrigation purposes shall be released to the Arkansas River pursuant to the provisions of paragraph 18.1 hereof and the remainder may be used pursuant to paragraph 18.2 hereof.

18.5 Winter Waters credited to the Applicants in Pueblo Reservoir and used for irrigation under the Colorado Canal system would historically be released from Pueblo Reservoir, carried in the Arkansas River to the Colorado Canal headgate and run through the Colorado Canal, for direct irrigation use resulting in return flows to the Arkansas River. Winter Water in storage at Pueblo Reservoir and attributable to shares used for non-irrigation purposes may be used directly from Pueblo Reservoir or exchanged or substituted upriver, provided:

18 5 1 Releases pursuant to paragraph 18 1 shall be computed as if the waters were run to storage in Lake Henry and/or Lake Meredith on March 15th.

18.5.2 Twelve percent (12%) of such winter water shall be released to the Arkansas River in equal daily amounts for the duration of the water year commencing on May 1.

18 5.3 The quantity remaining in Pueblo Reservoir may be used pursuant to paragraph 18 2.

18.6 Once the use of water with respect to any share of stock in any of the Colorado Canal Companies is changed to non-irrigation use, the obligation to make return flow releases to the Arkansas River pursuant to Section 18 1 with respect to such share shall commence and continue thereafter, regardless of whether such waters are ever again used for irrigation purposes. Lands as to which shares are changed to non-irrigation use shall be identified by the shareholder making the change to non-irrigation use and thereafter shown on a map kept at the offices of the Colorado Canal Companies, a copy of which shall be furnished to the Parties. Such lands shall be dried up and shareholders shall thereafter use no wells to irrigate such lands (for which shares have been changed to non-irrigation use) unless prior Water Court approval for a bona fide plan for augmentation is obtained or water is leased or purchased from sources other than the Colorado Canal Company shareholders, except for shareholders whose shares have been converted to non-irrigation use; however, water rights in the Colorado Canal Companies used for irrigation purposes may be relocated on an acre-for-acre basis to such lands, provided return flows to the Arkansas River will not be reduced by the change of irrigated acreage and the lands from which such waters are relocated shall thereafter be considered the dried-up lands.

18.7 Applicants shall install and maintain devices and keep and provide records delivered in timely fashion to the Division Engineer, which devices shall include the following. an accurate weather station in the vicinity of Lake Meredith Reservoir collecting and recording data on temperature, precipitation, barometric pressure, wind, humidity, and pan evaporation rates; the existing flume and recorder near the Colorado Canal headgate; a flume and recorder at the Lake Meredith Outlet Canal; lake-level recorders on Lakes Meredith and Henry; in the event an accurate measuring and recording device is ever not in place on the Fort Lyon Storage Canal down canal from the wasteway which carries Lake Meredith Outlet Canal releases to the Arkansas River, a flume and recorder which shall be operated at such time as Lake Meredith outlet water is being carried in the Fort Lyon Storage Canal; measuring devices above Lake Meredith Reservoir on Bob Creek and the Lake Meredith Reservoir Inlet; and such other measuring devices and records as may be deemed necessary by the Division Engineer to effectively administer this change and exchange. Should Applicant or successors of its shareholders ever pump or divert water directly from Lake Meredith or Lake Henry, such pumping or diversion shall be appropriately measured.

18.8 Any stockholder of the Applicant canal and reservoir companies using water for purposes other than agricultural irrigation that fails to pay their or its Company assessments within thirty (30) days after the date on which such assessment shall have been called by the Company as due and payable shall not be entitled to take water from or through Company facilities or pursuant to the terms of any change decreed herein until that non-payment is cured.

18.9 Any stockholder using water for purposes other than agricultural irrigation shall, so long as water is being used under the lateral where the shares were historically distributed, leave five percent (5%) of their water from each such lateral to make up incremental lateral loss. The aggregate amount of such water shall be distributed among the various laterals at the direction of the Proxy Group in such a way as to conform as near as may be to the variation of losses among laterals. However, the aggregate amount of water so left shall never exceed five percent (5%) of water used for purposes other than irrigation, and this upper limit shall be reduced by multiplying by a fraction, the numerator of which is the number of shares used for irrigation purposes at that time, and the denominator of which is the number of shares owned by the Proxy Group as of the date hereof. To the extent diverted under a storage right, this water shall be considered stored in reservoir space owned by shareholders using water for non-irrigation purposes, and shall bear its pro rata evaporation and seepage losses. Such water shall be released with runs for agricultural purposes during that water year.

18.10 Any stockholder of the Lake Meredith Reservoir Company using Lake Meredith Storage Rights water for purposes other than agricultural irrigation shall, in addition to the requirement for incremental lateral loss, leave twelve percent (12%) of their Lake Meredith Storage Rights water to make up incremental canal loss. This water shall be considered stored in Lake Meredith Reservoir space owned by shareholders using water for non-irrigation purposes, and shall bear its pro rata evaporation and seepage losses. Such water shall be released for exchange with exchanges for agricultural purposes within that water year. Any portion not so released shall be delivered to the river at the conclusion of the water year or as otherwise directed by the State Engineer. At such time as there is no irrigation use under the Colorado Canal, such water shall be released to the

Arkansas River in equal daily amounts for the duration of the water year commencing May 1.

18.11 All waters released through the Outlet Canal and delivered into either the Holbrook Canal or the Fort Lyon Storage Canal for use by substitution shall be of a quality, quantity and continuity to meet the requirements of use for which the water of the respective canal has normally been put, and such substitution and exchange shall be administered by and be subject to determinations as to quality, quantity and continuity made by the Division Engineer for Water Division No. 2.

18.12 The following limitations shall apply to the rights of exchange and substitution:

18.12.1 Waters stored in the exercise of the Lake Meredith Storage Rights may be exchanged or substituted at flow rates not to exceed 400 cfs. and in quantities not to exceed 26,028.4 acre-feet in any calendar year. The exchange priority shall be March 9, 1898 between the discharge point of the Outlet Canal and the Colorado Canal Headgate and May 31, 1984 between the Colorado Canal Headgate and any point further upstream on the Arkansas River.

18.12.2 Waters stored in Lake Henry Reservoir and/or Lake Meredith Reservoir, regardless of source, may be exchanged or substituted to Pueblo Reservoir in the exercise of the existing exchange at flow rates not to exceed 400 cfs. and in quantities not to exceed 6,779.21 acre-feet in any calendar year. The exchange priority shall be April 14, 1981 between the discharge point of the Outlet Canal and Pueblo Reservoir.

18.12.3 Waters stored in Lake Henry Reservoir and/or Lake Meredith Reservoir, regardless of source, may be exchanged or substituted to Pueblo Reservoir and/or, together with waters already in storage in Pueblo Reservoir, on upstream to Turquoise Reservoir, Twin Lakes Reservoir or Clear Creek Reservoir at flow rates not to exceed 756.28 cfs. or the carrying capacity of the Outlet Canal, whichever is less, and in quantities not to exceed that quantity which can be exchanged utilizing an active storage capacity for Lake Henry Reservoir of 10,915 acre-feet and an active storage capacity for Lake Meredith Reservoir of 41,403 acre-feet. The exchange priority shall be April 14, 1981, but shall be junior and subordinate to any water right or exchange right filed for adjudication in calendar years prior to 1984. This right of exchange and substitution shall be a conditional right.

18.12.4 With respect to exchanges or substitutions ~~made in the future,~~ the Division Engineer for Water Division No. 2 shall determine the transit losses or transit credit, if any, associated with the exchange or substitutions being made at the time under his administration and supervision, and permit the Applicants to divert at the upstream point of substitution or exchange such applicable transit credit, if any, as an addition to the quantity being exchanged or substituted

per

per

18 12 5 Applicants have stipulated that their rights of exchange and substitution shall be further limited as to rate of flow when in conflict with similar rights of other parties to the stipulation filed herein. Those other parties are the City of Colorado Springs ("Colorado Springs"), the Board of Water Works of Pueblo, Colorado ("Pueblo"), Resource Investment Group, Ltd., et al ("RIG"), and the City of Aurora ("Aurora") The provisions of that stipulation are hereby approved, incorporated herein by this reference and the following provision from that stipulation shall constitute a further limitation on the rights of exchange and substitution decreed herein:

At times when the flow through or releases from Pueblo Reservoir are insufficient, on an instantaneous basis, to accommodate the exchanges or substitutions which Pueblo, Colorado Springs and/or the Applicants seek to make into Pueblo Reservoir for waters delivered to points on the Arkansas River below Pueblo Reservoir, or the change which RIG and Aurora seek to make to storage in Pueblo Reservoir, the following allocation of the exchange opportunity shall apply as between the parties which at that time have the legal and physical ability to change or exchange into Pueblo Reservoir:

18.12.5.1 Pueblo shall have the first priority to exchange up to 27 c.f.s. without restriction as to use.

18.12.5.2 Lake Meredith Company shall have the second priority to exchange, from waters stored under the 1898 storage priority for Lake Meredith Reservoir, up to 100 c.f.s. for irrigation use under the Colorado Canal. This right shall be reduced pro rata in the proportion that the number of shares not being used for irrigation purposes bears to the number of outstanding shares of the Lake Meredith Company.

18.12.5.3 Pueblo and the Applicants shall share equally the third priority to exchange. Each shall be entitled to exchange up to an additional 50 c.f.s., without restriction as to use.

18.12.5.4 The Applicants shall have the fourth priority to exchange up to an additional 50 c.f.s., without restriction as to use.

18 12 5 5 Colorado Springs shall have the fifth priority to exchange up to 77 c.f.s. less that rate of flow, if any, being exchanged by Pueblo pursuant to §§18 12 5.1 and 18 12 5.2, without restriction as to use.

18.12.5.6 RIG-Aurora shall have the sixth priority to exercise their change of point of diversion to Pueblo Reservoir, which right shall be limited as to quantity, applicable maximum diversion rates and other matters as specified by the final decree in 83CW18. This sixth priority shall not include RIG waters reduced to storage at or below the Holbrook Canal headgate for the purpose of awaiting the occurrence of an upstream exchange opportunity by RIG.

18.12.5.7 Colorado Springs shall have the seventh priority to exchange up to 100 c.f.s. less any amount being exchange by Colorado Springs pursuant to §18.12.5.5, without restriction as to use

18.12.5.8 Colorado Springs, the Applicants, and RIG shall share any remaining exchange opportunity on the following basis.

The Applicants shall be entitled to one-half of the remaining exchange opportunity within the exercise of their rights as may be decreed. Colorado Springs and RIG shall share the other half or more of the exchange opportunity within the exercise of their rights as may be decreed, according to the following allocation:

RIG: Up to 40 c.f.s., but not to exceed 500 a.f. annually; thereafter, 25% of said remaining exchange opportunity up to an additional 500 a f annually

Colorado Springs The balance

It is the purpose of this allocation to allow RIG to make an upstream exchange in the event RIG is precluded at any time from storing in Pueblo Reservoir its full yield under the decree to be entered in 83CW18 because of the operation of the foregoing priorities. In such event, Colorado Springs, Pueblo, and the Applicants agree that RIG may store the decreed yield which is not simultaneously transferable to Pueblo Reservoir in any facility on RIG's land or, if it has obtained the consent of the owner thereof, in any other facility under or downstream from the headgate of the Holbrook Canal, and when river conditions permit, may work an exchange to Pueblo Reservoir under this eighth priority subject to lawful administrative constraints.

18.12.5.9 These relative priorities set forth in §§18 12.5.1 through 18.12.5.8 are summarized in the following table showing flow rates in c.f.s.:

PRIORITY	PUEBLO	COLORADO SPRINGS	COMPANIES	RIG-AURORA	TOTAL
1	27				27
2			100		127
3	50		50		227
4			50		277
5		77-Pueblo exchange under #1 and #3			277
6				Applicable maximum rate of flow allowed by Decree in 83CW18	
7		100-Colorado Springs exchange under #5			
8		1/2 minus RIG under #8	1/2	Up to 40 c.f.s. of 1/2, but not to exceed 500 a.f. annually; thereafter 25% of 1/2 up to an additional 500 a.f. annually.	

This table is controlled by the terms and conditions above stated in §§18.12.5.1 through 18.12 5.8.

18 12.5.10 Lake Meredith Reservoir Company and its shareholders' right to exchange pursuant to §§18.12.5.2, 18.12.5.3 and 18.12.5.4 under an exchange priority date of March 9, 1898 shall be limited to waters stored in the exercise of the March 9, 1898 storage priority

not to exceed 26,028.4 acre-feet annually.

18.12.5.11 Each participating party must be physically and legally able to change and exchange. If any one party is physically or legally not able to change or exchange, the allocation of the change or exchange opportunity shown above shall apply as between the remaining parties.

18.12.6 Applicants have a right to exchange Lake Meredith water from the Lake Meredith Outlet Canal to the Colorado Canal headgate under priority date of March 9, 1898.

18.12.7 Applicants have the rights to exchange, subject to the conditions of this decree, from the Lake Meredith Outlet Canal to and above Pueblo Reservoir with a 1984 filing for decree date and a 1981 appropriation of exchange date. Applicants' exchange shall be junior to valid senior exchanges; reserving, however, to Applicants all rights, if any, to challenge any competing exchange.

18.12.8 Applicants' rate of exchange when exchanging by utilizing releases from the Lake Meredith Outlet Canal shall not exceed the release rate from the Lake Meredith Outlet Canal, together with the applicable transit credit, if any, recognized by the Division Engineer. Applicants' exchanges under this decree shall occur only from the Lake Meredith Outlet Canal and not from the headgate of the Colorado Canal.

18 12 9 The exchange as against the natural river flow from the Lake Meredith Outlet Canal to and above Pueblo Reservoir shall occur only when there is a flowing river at all points between the point of discharge and the point of storage, and only when the Division Engineer determines that implementation of such decreed

exchange will not injuriously affect the owners of or persons entitled to use water under a vested water right or a decreed conditional water right.

18.12.10 Applicants or shareholders of the Colorado Canal Companies shall obtain the legal right to use Pueblo Reservoir prior to the operation of exchanges into Pueblo Reservoir.

18.12.11 Applicants have no right to compel the District or the Bureau of Reclamation to take any action which creates exchange opportunities for Applicants.

18.13 No more than 26,028 acre-feet of water may be added to active storage in any water year under the 1898 Lake Meredith Storage Rights. No more than 6,355 acre-feet of water may be added to active storage in any water year under the 1891 Lake Henry Storage Right; no more than 2,000 acre-feet of water may be added to active storage in any water year under the September 10, 1900 Lake Henry Storage Right, and no more than 3,561 acre-feet of water may be added to active storage in any water year under the May 15, 1909 Lake Henry Storage Right. To the extent that water in storage at the beginning of a water year has been changed in use pursuant to this decree, and is so accounted for, such water shall not limit that water year's diversion under the Lake Henry and Lake Meredith Storage Rights.

18.14 The waters which are the subject of the above applications which are determined to be the historically consumed quantities of Applicants' water rights may be totally consumed in the future for any beneficial use at any location so long as the person applying the water maintains dominion and control over the water after its initial use. The Parties reserve the right to challenge the identification and quantification for reuse of consumptive use water. This provision is accepted by the Parties only in the peculiar circumstances of this case and is in no way a waiver by the Parties of their position with respect to reuse of native water, further, this provision shall not create a precedent with respect to any other case.

18.15 Historic return flows during the study period of 1954 through 1983 under the historical operation returning to the Arkansas River shall not be diminished by any future operation, modification or enlargement of the Colorado Canal, Lake Henry Reservoir or Lake Meredith Reservoir without keeping the river whole on a daily basis.

18.16 Accounting, operations and administration under this decree shall be on a daily basis. Computations made on a weekly or monthly basis shall be divided, as appropriate, to determine the average daily amount.

18.17 This decree is subject to the stipulation, dated December 28, 1984, between Colorado Springs, Applicants, and others in Case No. 84CW179.

18.18 Until any deficits in return flows owed to the river are cured, Applicants shall divert no water from any source into the Colorado Canal headgate on behalf of any shareholder of shares converted to non-irrigation use and as to which shares the return flow releases pursuant to Section 18.1 are not current, except waters to cure such deficit.

18.19 If, as a result of less water being run through the Colorado Canal for irrigation purposes, there is such a decrease in the head of water in the Canal as to diminish the flow of water through the lateral headgates below historic conditions, then up to two (2) additional check structures shall be constructed in the Colorado Canal, at the sole expense of shareholders using water for municipal purposes. Absent mutual agreement, the necessity for, location and design of such check structures shall be determined by binding arbitration by a committee consisting of an engineer selected by the Proxy Group, an engineer selected by the shareholders using water for municipal purposes, and an impartial third engineer selected by those two. The issues of necessity, location and design shall be considered separately, and the costs of arbitration of each issue shall be borne by the losing party upon that issue

18.20 Pursuant to § 37-92-304(6), C.R.S. 1973, the Court has considered the historic use to which the Water Rights were put, the length of time of such historic use and the testimony, documents and records herein. Based upon such consideration, the Court finds that the experience to be derived during the period ending twenty (20) years after the date shares are changed to non-irrigation use is necessary or desirable to preclude or remedy any injury to the vested rights of others. Accordingly, with respect to each share of the Colorado Canal Companies, the decree shall be subject to reopening for twenty (20) years from the conversion of that share to non-irrigation use. After such twenty-year period, the terms of the change decree entered shall not be modified so as to reduce the yield for non-irrigation use from shares which have been converted to non-irrigation use for more than twenty (20) years under the terms of the change decree. The Colorado Canal Companies, on or before February 1st of each year, shall give written notice to all parties, the Division Engineer and the Water Court specifying, by shareholder, all shares converted to non-irrigation use, the date on which converted and the date on which such 20-year period shall expire. Reconsideration shall be made only upon the petition of one of the parties hereto, including Applicants. Notice of such petition shall be made upon the parties hereto by mailing notice to each of their counsel of record at their addresses as set forth at the conclusion hereof, or at such different addresses as shall hereafter be filed with the Court or so served by mailing upon all other counsel of record.

19. The Court has reviewed and does hereby approve the various stipulations filed herein between Applicants and one or more, as the case may be, of the Objectors in this consolidated proceeding (the "Stipulations") These Stipulations are further identified as the stipulation executed as of March 19, 1985 between Applicants, Colorado Springs and Pueblo; the stipulation executed as of April 9, 1985 between Applicants, Aspen and Pitkin County, the stipulation executed as of June 5, 1985 between, Applicants, Colorado Springs, Pueblo and RIG; the stipulation executed as of September 20, 1985 between Applicants, Colorado Springs, the Southeastern District, Public Service, Holbrook and the AVDA, the stipulation executed as of October 10, 1985 between Applicants and Fort Lyon; the stipulation executed as of October 16, 1985 between Applicants, Colorado Springs, Foxley, and the Proxy Group, and the stipulation executed as of

October 16, 1985 between Applicants and the State Engineer. The Stipulations shall remain in full force and effect, enforceable by or against any of the parties thereto, and shall not be deemed merged into this decree except to the extent specifically incorporated herein

20. The rights of substitution and exchange from Lake Henry Reservoir and/or Lake Meredith Reservoir to Pueblo and other upstream reservoirs and the changes in type and place of use decreed herein shall not affect the limitations on transmountain diversions by the Twin Lakes Reservoir and Canal Company in the decree in Case No. 1901, Water Division No. 5, dated May 12, 1976.

21. This change of water rights and adjudication of rights of exchange and substitution will not cause injury to other water users or materially deplete the waters of the Arkansas River in usable quantity or availability for use by others. The terms and conditions imposed herein, including administration and accounting on a daily basis, limit the quantity which may be used in the future exercise of these Water Rights to that quantity historically consumed and insure the continuation of historic return flows both in time and amount.

22. This adjudication of rights of exchange and substitution and change of water rights, if granted on the terms and conditions herein set forth, including administration and accounting on a daily basis, will not injuriously affect the owners of or persons entitled to use water under a vested water right or decreed conditional water right.

CONCLUSIONS OF LAW

1. The Court incorporates the foregoing Findings of Fact to the extent that these may include conclusions of law.

2 The Court concludes that adjudication of these changes of water rights, existing and proposed exchanges and substitutions are authorized by law. §§37-80-120, 37-83-104, 37-92-101, *et seq.*, C R.S , including §37-92-302.

3 Applicants have complied with all requirements to change their water rights and adjudicate their existing and proposed exchanges and substitutions, and are therefore entitled to a decree permitting these changes, exchanges and substitutions, provided that the changes, exchanges and substitutions are

limited and conditioned as specified in the foregoing Findings of Fact in order to prevent injury to the owners of, or persons entitled to use water under, vested water rights or decreed conditional water rights.

4. Granted on the terms and conditions set forth above in the Findings of Fact, the changes of water rights, exchanges and substitutions described in such Findings will not injuriously affect the owners of, or persons entitled to use water under, vested water rights or decreed conditional water rights. Therefore the standards set forth in the Water Right Determination and Administration Act of 1969 (§§37-92-101, et seq., C.R.S.), including specifically §37-92-305, C.R.S., and other applicable provisions of Colorado law, have been met.

5. The law provides that "if an application filed under §37-92-302, C R.S. for approval of an existing exchange of water is approved, the original priority date or priority dates of the exchange shall be recognized and preserved unless such recognition or preservation would be contrary to the manner in which such change has been administered". §37-92-305(10), C.R.S. The Applicants are therefore entitled to have the original priority dates of their existing exchanges recognized, subject to terms and conditions set out in the Findings of Fact.

JUDGMENT AND DECREE

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED THAT:

1 The Findings of Fact and Conclusions of Law set forth above are hereby incorporated into the terms of this decree as if the same were fully set forth herein.

2 Applicants' changes of water rights, exchanges, and substitutions are hereby approved and adjudicated, subject to the terms and conditions specified in the foregoing Findings of Fact. No owners of, or person entitled to use water under, a vested water right or decreed conditional water right will be injured or injuriously affected by the granting of the changes of water rights, exchanges and substitutions requested by the Applicants, provided that the conditions and limitations set forth in the Findings of Fact are implemented. The Court hereby directs the entry of final judgment as to all of the claims made in these consolidated cases.

3. It is further ordered that the proposed rights of exchange and substitution herein awarded conditionally shall remain in full force and effect until October 31, 1989. If applicants desire to maintain such conditional water rights, an application for a quadrennial finding of reasonable diligence shall be filed on or before October 31, 1989, or a showing made that the conditional rights of exchange and substitution have become absolute rights by reason of the completion of the appropriation.

DONE this 21 day of Oct., 1985.

BY THE COURT:

John R. Tracey

Hon. John R. Tracey

xc Moses, Wittemyer, Harrison & Woodruff (Wittemyer)
Horn, Anderson & Johnson (Johnson and DuBois)
John U. Carlson
Ralph N. Wadleigh
Fairfield and Woods (Pratt)
Musick and Cope (Musick)
Kelly, Stansfield & O'Donnell (Flanagan)
Davis, Graham & Stubbs (Hillhouse)
Calkins, Kramer, Grimshaw & Harrins (Schroeder)
Lefferdink and Davis (Lefferdink)
Mitchell & Mitchell
William H. Bassett
Holland and Hart (Castle)
Petersen & Fonda (Mattoon)
Robert F T Krassa
John Dingess
Division and State Engineers

Filed in the office of the Clerk, District Court Water Division No 2, State of Colorado

OCT 21 1985

Russell L. Lucero

Clerk

Serving Bent, Crowley, Otero, Prowers and Pueblo counties
Lower Arkansas Valley WATER CONSERVANCY DISTRICT

2015

BUDGET

FOR THE

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

And

Lower Arkansas Valley Water Activity Enterprise

As submitted December 9, 2014

To the Board of Directors of the Lower Arkansas Valley Water Conservancy District

BUDGET MESSAGE

(Pursuant to 29-1-103(1) (e), C.R.S.)

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

The attached 2015 Budget for Lower Arkansas Valley Water Conservancy District includes these important features such as; projected Expenditures, which include Outside Services, Capital Outlays, County Collection Fees, Administration, Contingency, Assistance to Other Entities and Management Fees to be undertaken or executed during the year, Proposed Revenue anticipated by County, estimated beginning and ending Fund Balances and three years' comparable data, which for the Lower Arkansas Valley Water Conservancy District is 2013, 2014 and 2015.

The budgetary basis of accounting timing measurement method used is the Accrual Basis. The Enterprise Fund also uses accrual accounting for its water activities. The services to be provided during the budget year are to continue to acquire, retain, and conserve water resources within the Lower Arkansas River Valley. To encourage the use of such water for the socio-economic benefit of the District citizens. To participate in the water-related projects that will embody thoughtful conservation, responsible growth, and beneficial water usage within the Lower Arkansas Valley, including the acceptance of conservation easements, with or without water.

Serving Bent, Crowley, Otero, Prowers and Pueblo counties
Lower Arkansas Valley WATER CONSERVANCY DISTRICT

LAVWCD Board of Directors

2014

Lynden Gill, Chairman

Leroy Mauch, Vice-Chairman

Melissa Esquibel, Secretary

Wayne Whittaker, Treasurer

Anthony Nunez

Reeves Brown

Jim Valliant

Staff support is provided by:

Jay Winner, General Manager

Bill Hancock, Conservation Program Manager

Jack Goble, Engineer

Carla Aragon-Quezada, Office Manager

Brenda Fillmore, Finance/Water

Bart Mendenhall, Attorney

Peter Nichols, Attorney

Committee Requests 2014

Board Members requested assignments to committees as follows:

Ethics:
Chair Person: Lynden Gill
Melissa Esquibel
In House General Counsel – Bart Mendenhall

Legal:
Chair Person: Melissa Esquibel
Wayne Whittaker
Anthony Nunez

Finance/Budget:
Chair Person: Wayne Whittaker
Lynden Gill
Reeves Brown

Personnel:
Chair Person: Anthony Nunez
Melissa Esquibel
Leroy Mauch

Acquisitions:
Chair Person: Leroy Mauch
Wayne Whittaker
Lynden Gill

LAVWCD	General Fund				
Budget Comparison					
Revenues	2015 Budget	2014 Projected to 12/31/14	2014 Budget	2015 Budget to 2014 Projected Variance	**Explanation**
REVENUES					
Mill Levy Collections	**$ 1,879,600.00**	**$ 1,913,500.00**	**$ 1,877,100.00**	**$ (33,900.00)**	
Bent County Mill Levy Collection	78,600.00	78,700.00	77,800.00	**(100.00)**	Decrease assessed valuation
Crowley County Mill Levy Collection	48,900.00	49,400.00	49,100.00	**(500.00)**	Increase assessed valuation
Otero County Mill Levy Collection	135,200.00	134,200.00	133,400.00	**1,000.00**	Increase assessed valuation
Prowers County Mill Levy Collection	116,500.00	118,900.00	117,100.00	**(2,400.00)**	Decrease assessed valuation
Pueblo County Mill Levy Collection	1,500,400.00	1,532,300.00	1,499,700.00	**(31,900.00)**	Decrease assessed valuation
S.O. Tax Collections	**$ 110,800.00**	**$ 155,000.00**	**$ 163,300.00**	**$ (44,200.00)**	
Bent County S.O. Tax Receipts	4,300.00	6,200.00	6,000.00	**(1,900.00)**	Projection of S.O.Tax Receipts
Crowley County S.O. Tax Receipts	3,900.00	5,700.00	5,300.00	**(1,800.00)**	Projection of S.O.Tax Receipts
Otero County S.O. Tax Receipts	16,600.00	23,600.00	25,000.00	**(7,000.00)**	Projection of S.O.Tax Receipts
Prowers County S.O. Tax Receipts	11,800.00	16,700.00	17,000.00	**(4,900.00)**	Projection of S.O.Tax Receipts
Pueblo County S.O. Tax Receipts	74,200.00	102,800.00	110,000.00	**(28,600.00)**	Projection of S.O.Tax Receipts
Refund/Abatements Tax Collection	**$ 3,800.00**	**$ 400.00**	**$ 3,800.00**	**$ 3,400.00**	
Bent County	200.00	200.00	200.00	**-**	Decrease assessed valuation
Crowley County	100.00	-	100.00	**100.00**	Increase assessed valuation
Otero County	300.00	(100.00)	300.00	**400.00**	Increase assessed valuation
Prowers County	200.00	300.00	200.00	**(100.00)**	Decrease assessed valuation
Pueblo County	3,000.00	-	3,000.00	**3,000.00**	Decrease assessed valuation
Interest	**$ 6,300.00**	**$ 10,200.00**	**$ 6,300.00**	**$ (3,900.00)**	Based on current interest rates
Other Agencies Contribution	**$ -**	**$ -**	**$ -**	**$ -**	
Total Revenues	**$ 2,000,500.00**	**$ 2,079,100.00**	**$ 2,050,500.00**	**$ (78,600.00)**	
Fund Balance	$ 955,200.00	$ 1,270,000.00	$ 997,800.00	**(314,800.00)**	
	$ 2,955,700.00	**$ 3,349,100.00**	**$ 3,048,300.00**	**$ (393,400.00)**	

LAVWCD	General Fund				
Budget Comparison					
# Expenditures	2015 Budget	2014 Projected to 12/31/14	2014 Budget	2015 Budget to 2014 Projected Variance	Explanation
EXPENDITURES					
OUTSIDE SERVICES					
Legal (Regular)	$ 21,000.00	$ 16,000.00	$ 22,000.00	**$ 5,000.00**	Storm Water
Legal (Consultant & Special Svc)	125,000.00	91,100.00	130,000.00	**33,900.00**	Storm Water, Legislation
Engineering	40,000.00	-	30,000.00	**40,000.00**	Arkansas DSS
Professional Services	10,000.00	5,000.00	15,000.00	**5,000.00**	NEPA EIS, Arkansas DSS
Accounting/Audit	20,000.00	20,000.00	21,000.00	**-**	Projection for '15 budget
Total Outside Service	**$ 216,000.00**	**$ 132,100.00**	**$ 218,000.00**	**$ 83,900.00**	
CAPITAL OUTLAY					
Office Equipment	$ 3,000.00	$ 400.00	$ 3,000.00	**$ 2,600.00**	Upgrades
Computer	5,000.00	1,500.00	4,000.00	**3,500.00**	Modifications & upgrades
Building	5,000.00	10,500.00	5,000.00	**(5,500.00)**	Bldg renovations
Total Capital Outlay	**$ 13,000.00**	**$ 12,400.00**	**$ 12,000.00**	**$ 600.00**	
COUNTY TREASURER'S FEE					
Bent County	$ 2,200.00	$ 2,400.00	$ 2,400.00	**$ (200.00)**	Per Assessed Valuation
Crowley County	1,500.00	1,600.00	1,700.00	**(100.00)**	Per Assessed Valuation
Otero County	2,600.00	2,600.00	2,500.00	**-**	Per Assessed Valuation
Prowers County	3,600.00	3,600.00	3,500.00	**-**	Per Assessed Valuation
Pueblo County	22,700.00	23,000.00	23,100.00	**(300.00)**	Per Assessed Valuation
Total County Treasurers' Fees	**$ 32,600.00**	**$ 33,200.00**	**$ 33,200.00**	**$ (600.00)**	
ADMINISTRATION					
Wages	$ 423,900.00	$ 394,900.00	$ 385,900.00	**$ 29,000.00**	% & Cost of living
Payroll Taxes	38,200.00	35,500.00	34,300.00	**2,700.00**	Total wages @ 9%
Health Insurance	47,000.00	43,600.00	45,600.00	**3,400.00**	Estimate based on current costs
Employee Health Account	7,000.00	7,000.00	6,000.00	**-**	Estimate based on current costs
Retirement-IRA	12,700.00	11,400.00	11,400.00	**1,300.00**	3% of wages
Subscription	1,500.00	1,500.00	1,500.00	**-**	Newspapers, magazines, periodicals
Dues& Memberships	8,000.00	4,300.00	8,000.00	**3,700.00**	Projection for '15 budget
Employee Education	10,000.00	-	10,000.00	**10,000.00**	5 employees @ $2, 000
Employee Benefits	3,000.00	-	200.00	**3,000.00**	Flowers, Shirts, etc
Workshop/Seminars	9,200.00	6,400.00	14,000.00	**2,800.00**	CE,CWC, Water Shed
Bank/Credit Card Scv/Fee Charge	800.00	400.00	600.00	**400.00**	Estimate based on current costs
Insurance-Commercial Package Policy	25,000.00	23,500.00	24,000.00	**1,500.00**	Estimate based on current costs
Work Comp Insurance	1,000.00	800.00	1,000.00	**200.00**	Projection for '15 budget
Donations	2,000.00	-	2,000.00	**2,000.00**	Projection for '15 budget
Office Supplies	22,000.00	21,400.00	22,000.00	**600.00**	Estimate based on current costs
Postage-Mailing	6,000.00	4,300.00	8,000.00	**1,700.00**	Projection for '15 budget
Payment in Lieu of Taxes	7,000.00	-	7,000.00	**7,000.00**	Projection for '15 budget
Utilities	8,500.00	6,900.00	9,000.00	**1,600.00**	Estimate based on current costs
Rent/Lease Payment	7,000.00	5,800.00	8,000.00	**1,200.00**	Copier & Postage machine
Telephones & Cell phone	13,200.00	10,900.00	15,000.00	**2,300.00**	Projection for '15 budget

LAVWCD	General Fund				
Budget Comparison					
# Expenditures	2015 Budget	2014 Projected to 12/31/14	2014 Budget	2015 Budget to 2014 Projected Variance	Explanation
ADMINISTRATION (continued)					
Travel-Mileage Directors	$ 7,000.00	$ 5,900.00	$ 9,000.00	**$ 1,100.00**	Estimated mileage rates
Travel-Meals Directors	500.00	100.00	800.00	**400.00**	Projection for '15 budget
Directors Airfare	1,000.00	-	2,000.00	**1,000.00**	Projection for '15 budget
Directors Hotels	5,000.00	2,300.00	5,700.00	**2,700.00**	Estimate based on current costs
Travel-Meals Executive Director	2,500.00	1,800.00	3,000.00	**700.00**	Meetings & committees
Travel-Mileage Executive Director	21,500.00	19,500.00	22,000.00	**2,000.00**	Estimated mileage rates
Travel-Staff	10,000.00	6,000.00	20,000.00	**4,000.00**	Estimated mileage rates
Travel Expenses - Staff	3,000.00	500.00	-	**2,500.00**	New Account
Events	27,500.00	25,600.00	45,000.00	**1,900.00**	CWC, DARCA, Forum
School Education Programs	9,000.00	12,900.00	7,000.00	**(3,900.00)**	Projection for '15 budget
Community Outreach	5,000.00	-	5,000.00	**5,000.00**	Projection for '15 budget
Advertising	10,000.00	9,500.00	8,500.00	**500.00**	Projection for '15 budget
Pest Control	500.00	300.00	500.00	**200.00**	Projection for '15 budget
Facility Maintenance	7,500.00	4,900.00	8,000.00	**2,600.00**	Repairs & maintenance
Meeting Expense-Supplies, Food	11,000.00	8,400.00	18,000.00	**2,600.00**	Meetings & committees
Total Administration Expenses	**$ 774,000.00**	**$ 676,300.00**	**$ 768,000.00**	**$ 97,700.00**	
CONTINGENCY	**$ 250,000.00**	**$ 200,000.00**	**$ 225,000.00**	**$ 50,000.00**	Projection for '15 budget
ASSISTANCE FOR OTHER ENTITIES	**$ 125,000.00**	**$ 50,000.00**	**$ 175,000.00**	**$ 75,000.00**	Ark DSS, Reg. Planning
MANAGEMENT FEE					
Due to Enterprise	$ 925,000.00	870,000.00	$ 775,000.00	**$ 55,000.00**	For Water Purchase
Management Fee	425,000.00	400,000.00	700,000.00	**25,000.00**	Projection for '15 budget
Total Amounts to Enterprise	**$ 1,350,000.00**	**$ 1,270,000.00**	**$ 1,475,000.00**	**$ 80,000.00**	
TABOR Reserve	**$ 18,100.00**	**$ 19,900.00**	**$ 27,600.00**	**$ (1,800.00)**	Projection based on expenditures
TOTAL EXPENDITURES	**$ 2,778,700.00**	**$ 2,393,900.00**	**$ 2,933,800.00**		
Revenues	**$ 2,955,700.00**	**$ 3,349,100.00**	**$ 3,048,300.00**		
Estimated Fund Balance	**$ 177,000.00**	**$ 955,200.00**	**$ 114,500.00**		

District Revenues: The District's revenue source is from a Mill Levy, which is used to meet the annual operating costs. The total revenue listed below is $2,000,500 which is an approximate decrease of $78,600 from the 2014 projected revenues. This is primarily due to lower expected revenue from decreased Mill Levy Valuations and Specific Ownership Tax Receipts.

Revenue for District Operations

Property Taxes---Operating Mill Levy	$1,879,600
Specific Ownership Taxes	110,800
Interest Income	6,300
Abatement & Refund Tax Collection	3,800
Total	$2,000,500
Fund Balance	$ 955,200
Total	$2,955,700

District Expenditures: The District's proposed 2015 expenditures listed below total $2,778,700. The District's expenditures are projected to be an approximate increase of $384,800 from 2014's projected expenditures. This increase is mostly due to an increase in management fees, administrative expenses, contingency reserves and an increase in outside services. The budgeted year-end Revenues over Expenditures will be $177,000 if the projected figures for 2014 do not change.

District Expenditures

Outside Services	$ 216,000
Capital Outlay	13,000
County Collection Fees	32,600
Administration	774,000
Contingency Expense	250,000
Assistance for Other Entities	125,000
Due to Enterprise/Management Fee	1,350,000
TABOR Reserve	18,100
Total	$ 2,778,700

Abatement and Refund Mill Levy

The District also assesses an abatement and refunds mill levy, this figure represents revenue that the District should have received, but did not. The abatements and refund is not part of either property tax revenue limitation.

The District's mill levy is projected as follows:

Operating Mill Levy	$ 1,879,600
Abatements & Refunds	$ 3,800
Total	$ 1,883,400

2015 Budget

Lower Arkansas Valley Water Conservancy District

Operating Revenues:

Property Taxes---Operating Mill Levy	$ 1,879,600
Specific Ownership Taxes	110,800
Interest Income	6,300
Abatement & Refund Tax Collection	3,800
Estimated Ending Fund Balance	955,200
Total	$ 2,955,700

Expenditures:

Outside Services	$ 216,000
Capital Outlay	13,000
County Collection Fees	32,600
Administration	774,000
Contingency Expense	250,000
Assistance for Other Entities	125,000
Due to Enterprise/Management Fee	1,350,000
TABOR Reserve	18,100
Total	$ 2,778,700

Revenues over Expenditures	$ 177,000

Summary of Expenditures

For 2015 Budget

Outside Services	$ 216,000
Capital Outlay	13,000
County Collection Fees	32,600
Administration	774,000
Contingency Expense	250,000
Assistance for Other Entities	125,000
Due to Enterprise/Management Fee	1,350,000
TABOR Reserve	18,100
Total	$2,778,700

Assessed Valuation

2014 Assessed Valuation for 2015 Budget

Bent	**52,412,080**
Crowley	**32,628,573**
Otero	**90,124,597**
Prowers	**77,656,531**
Pueblo	**1,000,237,598**

$	**1,253,059,379**
X 1.5 mill divided by 1000	
$	**1,879,589**

Summary:

The 2015 Budget for the Lower Arkansas Valley Water Conservancy District projects that the District will be able to meet its obligations and expectations for the upcoming year. It is the Mission of the District to continue to acquire, retain, and conserve water resources within the Lower Arkansas River Valley. To encourage the use of such water for the socio-economic benefit of the District citizens. To participate in the water-related projects that will embody thoughtful conservation, responsible growth, and beneficial water usage within the Lower Arkansas Valley, including the acceptance of conservation easements, with or without water.

Totals from Certification of Valuation by County Assessor				2014 Tax Year for 2015 Budget Year							
Cert											
	Previous Year's Net Valuation	Current Year's Gross Valuation	TIF Increments	Current Year's Net Valuation	New Construction	Increased Mine Prod	Annexation/ Inclusions	Previously Exempt Fed	New Primary Oil or Gas	Taxes on Omitted Prop	Abated/ Refunded
	Line 1	Line 2	Line 3	**Line 4**	Line 5	Line 6	Line 7	Line 8	Line 9	Line 10	Line 11
Bent	51,889,760.00	52,412,080.00	-	**52,412,080.00**	13,680.00	-	-	-	-	10.62	41.39
Crowley	32,724,553.00	32,628,573.00	-	**32,628,573.00**	18,949.00	-	-	-	-	-	27.60
Otero	88,915,773.00	90,994,869.00	870,272.00	**90,124,597.00**	643,485.00	-	-	-	-	-	438.11
Prowers	78,048,275.00	79,004,849.00	1,348,318.00	**77,656,531.00**	479,406.00	-	-	-	-	0.05	38.82
Pueblo	999,766,879.00	1,029,839,506.00	29,601,908.00	**1,000,237,598.00**	6,116,666.00	-	-	-	-	214.00	5,097.00
0.14%	1,251,345,240.00	1,284,879,877.00	31,820,498.00	**1,253,059,379.00**	7,272,186.00	-	-	-	-	224.67	5,642.92
				x1.5 / 1000							
				$ 1,879,589.07							
	Last Years 1.5 mill	Increase over Last Yr	% Increase	2015 mill							
2014	**$ 1,877,017.86**	**$ 2,571.21**	**0%**	**$ 1,879,589.07**							
	Current Year's Act Val - Real Prop	Construction R/P Improvements	Annexation/ Inclusions	Inc Mining Production	Previously Exempt	Oil & Gas New Well	R/P Omitted Previos Year	Destruction R/P Improv	Disconnect/ Exclusions	Previously Taxable Prop	
TABOR	LINE 1	LINE 2	LINE 3	LINE 4	LINE 5	LINE6	LINE 7	LINE 8	LINE 9	LINE 10	
Bent	252,790,140.00	134,503.00	-	-	-	-	43,469.00	-	-	-	
Crowley	168,249,028.00	579,703.00	-	-	-	-	-	52,796.00	-	-	
Otero	830,917,667.00	2,795,097.00	-	-	-	-	-	-	-	97,436.00	
Prowers	500,269,104.00	2,662,091.00	-	-	278,838.00	-	103.00	75,211.00	-	127,522.00	
Pueblo	9,129,767,883.00	50,395,941.00	-	-	-	-	639,586.00	619,877.00	-	-	
	10,881,993,822.00	56,567,335.00	-	-	278,838.00	-	683,158.00	747,884.00	-	224,958.00	
		57,529,331.00						972,842.00			

PROPERTY TAX REVENUE LIMIT CALCULATIONS WORKSHEET

("5.5%" limit in 29-1-301, C.R.S., and the TABOR limits, Art. X, Sec. 20(4)(a) and (7)(c), Colo. Const.)

The following worksheet can be used to calculate the limits on local government property tax revenue. Data can be found on the Certification of Valuation (CV) sent by the county assessor on August 25, unless otherwise noted. The assessor can revise the valuation one time before Dec. 10; if so, you must perform the calculation again using the revised CV data. (**Note for <u>multi-county</u> entities:** If a taxing entity is located in two or more counties, the mill levy for that entity must be the same throughout its boundaries, across all county boundaries (Uniform Taxation, Article X, Section 3, Colo. Const.). This worksheet can be used by multi-county entities when the values of the same type from all counties are added together.)

Version November 2008

Data required for the "5.5%" calculation (assessed valuations certified by assessor):

1.	Previous year's net total assessed valuation[1]	$	1,251,345,240
2.	Previous year's revenue[2]	$	1,877,018
3.	Current year's total net assessed valuation	$	1,253,059,379
4.	Current year's increases in valuation due to annexations or inclusions, if any		
5.	Current year increase in valuation due to new construction, if any	$	7,272,186
6.	Total current year increase in valuation due to <u>other</u> excluded property[3]		
7.	"Omitted Property Revenue" from current year CV[4]	$	225
8.	"Omitted Property Revenue" from previous year CV[5]		
9.	Current year's "unauthorized excess revenue," if any[6]		

Data required for the TABOR calculations (actual valuations certified by assessor):

10.	Previous year's revenue[7]	$	1,877,018
11.	Total actual value of all real property	$	10,881,993,822
12.	Construction of taxable real property	$	56,567,335
13.	Annexations/Inclusions		
14.	Increase in mining production		
15.	Previously exempt property	$	278,838
16.	Oil or gas production from new wells		
17.	Taxable property omitted (from current year's CV)	$	683,158
18.	Destruction of Property improvements	$	747,884
19.	Disconnections/Exclusions		
20.	Previously taxable property	$	224,958

21. Inflation 2.800% (The U.S. Bureau of Labor Statistics (http://www.bls.gov/cpi/home.htm) will not release this number, the Consumer Price Index (CPI) for the Denver-Boulder Area, until February of next year. Forecasts of this inflation figure may be obtained by contacting the Dept. of Local Affairs (DOLA) at (303) 866-2156. or at www.dola.colorado.gov)

[1] There will be a difference between **net** assessed valuation and **gross** assessed valuation only if there is a "tax increment financing" entity, such as a Downtown Development Authority or Urban Renewal Authority, within the boundaries of the jurisdiction.

[2] **For the "5.5%" limit <u>only</u>** (Part A of this Form), this is the **<u>lesser</u>** of: **(a)** the total amount of dollars **<u>levied</u> for general operating purposes** on the **<u>net assessed valuation</u>** <u>before</u> deducting any Temporary Tax Credit [if Form DLG 70 was used to certify levies in the previous year, this figure is on Line 1], or **(b)** last year's "5.5%" revenue limit.

[3] Increased production of a producing mine, previously exempt federal property, or new primary oil or gas production from any oil and gas leasehold or land. **NOTE: These values may not be used in this calculation until certified to, or applied for, by filing specific forms with the Division of Local Government** [forms can be found in the *Financial Management Manual*, published by/on the **State Auditor's Office web page** or contact the **Division of Local Government**].

[4] Taxes paid by properties that had been previously omitted from the tax roll. This is identified on the CV as **"taxes collected last year on omitted property as of Aug. 1."**

[5] This figure is available on the CV that you received from the assessor last year.

[6] This applies only if an "Order" to reduce the property tax revenue was issued to the government in the spring of the current year by the Division of Local Government, pursuant to 29-1-301(6), C.R.S.

[7] **For the TABOR property tax revenue limit only** (Part C of this form), use the previous year's TABOR limit or the property tax revenue **levied for general operating purposes**. This is a local option. DLG staff is available to discuss the alternatives.

A. Steps to calculate the "5.5%" Limit (refer to numbered lines on the previous page):

A1. Adjust the previous year's revenue to correct the revenue base, if necessary:

Line 2		Line 8		Adjusted property tax revenue base
$ 1,877,018	+		= A1.	$ 1,877,018

A2. Calculate the previous year's tax rate, based upon the adjusted revenue base:

Line A1		Line 1		Adjusted Tax Rate[7] (round to 6 decimal places)
$ 1,877,018	÷	$ 1,251,345,240	= A2.	0.001500

A3. Total the assessed valuation of all the current year "growth" properties:[8]

Line 4		Line 5		Line 6		Total "growth" properties[9]
	+	$ 7,272,186	+		= A3.	$ 7,272,186

A4. Calculate the revenue that "growth" properties would have generated:

Line A3		Line A2		Revenue from "growth" properties
$ 7,272,186	X	0.001500	= A4.	$ 10,908

A5. Expand the adjusted revenue base (Line A1) by the "revenue" from "growth" properties:

Line A1		Line A4		Expanded revenue base
$ 1,877,018	+	$ 10,908	= A5.	$ 1,887,926

A6. Increase the Expanded Revenue Base (Line A5) by allowable amounts:

[$ 1,887,926 (Line A5) X **1.055**[10]]

DLG-Approved Revenue Increase		Voter-Approved Revenue Increase[11]		Increased Revenue Base
+	+		= A6.	$ 1,991,762

A7. Current Year's "5.5%" Revenue Limit:

Line A6		Line 7		Current Year's "5.5%" Revenue Limit[12]
$ 1,991,762	-	$ 225	= A7.	$ 1,991,537

A8. Reduce Current Year's "5.5%" Revenue Limit by any amount levied over the limit in the previous year:

Line A7		Line 9		Reduced Current Year's "5.5%" Limit. This is the maximum allowed to be levied this year[13]
$ 1,991,537	-		= A8.	$ 1,991,537

A9. Calculate the mill levy which would generate the Reduced Revenue Limit (Line A8):

Line A8		Line 3		Mill Levy (round to 3 decimals)
$ 1,991,537	÷	$ 1,253,059,379 X 1,000	= A9.	1.589

---

[7] If this number were multiplied by 1,000 and rounded to three decimal places, it would be the mill levy necessary in the previous year to realize the revenue in line A1.

[8] The values of these properties are "excluded" from the "5.5%" limit, according to 29-1-301(1)(a) C.R.S.

[9] This revenue is the amount that the jurisdiction theoretically would have received had those "excluded" or "growth" properties been on the tax roll in the previous year.

[10] This is the "5.5%" increase allowed in 29-1-301(1), C.R.S.

[11] This figure can be used if an election was held to increase property tax revenue **above the "5.5%"** limit.

[12] Rounded to the nearest whole dollar, this is the "5.5%" statutory property tax revenue limit.

[13] DLG will use this amount to determine if revenue has been levied in excess of the statutory limit.

Steps to calculate the TABOR Limit (refer to numbered lines on page one):[14]

B. TABOR "Local Growth" Percentage

B1. Determine net growth valuation:

$ 57,529,331	-	$ 972,842	=	$ 56,556,489
Lines 12+13+14+15+16+17		Lines 18+19+20		Net Growth Value

B2. Determine the (theoretical) valuation of property which was on the tax roll last year:

$ 10,881,993,822	-	$ 56,556,489	=	$ 10,825,437,333
Line 11		Line B1		

B3. Determine the rate of "local growth":

$ 56,556,489	÷	$ 10,825,437,333	=	0.005224
Line B1		Line B2		Local Growth Rate (round to 6 decimal places)

B4. Calculate the percentage of "local growth":

0.005224	X 100	=	0.522%
Line B3			(round to 3 decimal places)

C. TABOR Property Tax Revenue Limit

C1. Calculate the growth in property tax revenue allowed:

$ 1,877,018	X	3.322%	=	$ 62,355
Line 10[15]		Line B4 + line 21		Increase allowed

C2. Calculate the TABOR property tax revenue limit:

$ 1,877,018	+	$ 62,355	=	$ 1,939,373
Line 10[15]		Line C1		TABOR Property Tax Revenue Limit

C3. Calculate the mill levy which would generate the TABOR Property Tax Revenue Limit (Line C2):

[$ 1,939,373	÷	$ 1,253,059,379	] X 1,000	=	1.548
Line C2		Line 3			Mill Levy (round to 3 decimal places)

D. Which One To Use? There is general agreement among practitioners that the most restrictive of the two revenue limits ("5.5%" or TABOR) must be respected, disallowing the levying of the greater amount of revenue which would be allowed under the other limit. Therefore, one must decide which of the two limits is more restrictive.

Compare Line A7 (Current Year's 5.5% Revenue Limit) to Line C2 (TABOR Property Tax Revenue Limit). The lesser of the two is the more restrictive revenue limit.

NOTE: TABOR(4)(a) requires prior voter approval to levy a mill levy above that of the prior year. This is a third limit on property taxes that must be respected, independent of the two revenue limitations calculated above. **If the lesser of the two mill levies in A9 and C3 is more than the levy of the prior year, it is possible that neither of the revenue amounts may be generated, and that revenues must be lowered to comply with this third limit.**

---

[14] This section is offered as a guideline only. The Division is required by law to enforce the "5.5%" limit, but does not have any authority to define or enforce any of the limitations in TABOR.

[15] **NOTE: For the TABOR property tax revenue limit only** (Part C of this form), use the previous year's TABOR limit or the property tax revenue **levied for general operating purposes**. This is a local option. DLG staff is available to discuss the alternatives.

OTHER LEVIES:

Capital Expenditure Levy

Under the "5.5%" limit, additional revenue greater than that on Line A8 may be levied for capital expenditures, if the specific procedures in 29-1-301(1.2) [counties or municipalities] or 29-1-302(1.5), C.R.S. [special districts or towns under 2000 in population] are followed, or an election is held for this purpose. If such a levy is made, it and the revenue resulting from it must be certified to the county as a separate levy on the Line 5 of Form DLG 70. The amount of revenue derived from this capital levy will not accrue to the "base" upon which next year's calculation will be made.

Refund/Abatement Levy

The refund and abatement revenue, reported by the County Assessor to some local governments on the "Certification of Assessed Valuation" is **not** part of either property tax revenue limitation. This figure, if any, represents revenue that the jurisdiction should have received, but did not. The local government **may** certify mills sufficient to generate the refund and abatement revenue amount[16] in excess of the ones calculated for the property tax revenue limitation. This is an **optional levy** and will not accrue to the base for subsequent years' limit calculations. It can be entered on Line 6 of Form DLG 70 for certifying all levies.

Temporary Tax Credit/Mill Rate Reduction

A temporary mill levy reduction can be made, in order to effect a refund of tax revenue (39-1-111.5 and 29-1-301(6), C.R.S.). If used, it should be certified as a separate levy on Line 2 of Form DLG 70, when certifying tax levies to the County Commissioners.

Annual Incentive Payments

The "5.5%" revenue limitation may be exceeded by **counties** and **municipalities** by the total amount of annual incentive payments made by the local government in accordance with agreements negotiated with certain private business taxpayers pursuant to 30-11-123(6) C.R.S. [counties] and 31-15-903(5) C.R.S. [municipalities]. This is an optional levy and will not accrue to the base for subsequent years' limit calculations. It should be certified to the county commissioners as an "Other levy" on Line 7 of Form DLG 70.

Reappraisals Ordered by the State Board of Equalization

The "5.5%" revenue limitation may be exceeded by counties to pay for the reappraisal of classes or subclasses ordered by or conducted by the State Board of Equalization (29-1-301(1)(a) C.R.S. This levy should be certified as an "Other levy" on Line 7 of Form DLG 70.

Payment to the State for Excess State Equalization Payments.

The "5.5%" revenue limit may be exceeded by counties to make payments to the state when excess state equalization payments are made to school districts due to the undervaluation of taxable property (29-1-301(1)(a) C.R.S. This levy should be certified as an "Other levy" on Line 7 of Form DLG 70.

NOTE: for assistance in using this form, understanding its terms, or suggested improvements, please contact Cynthia Thayer at the Division of Local Government: ☎(303) 866-2156; Email address: cynthia.thayer@state.co.us.

---

[16] 29-1-301(1), C.R.S. and a 1994 Supreme Court case both allow the levying of an amount of revenue above the revenue limits without an election to recoup revenue which was lost in the previous year due to abatements and refunds which might have been granted by various boards and courts. So, for example, if an entity levies $10,000 in one year, but only received $9,000 due to a $1,000 tax abatement granted by a District Court, it could levy an additional $1,000 above either the A5.5%@ or TABOR revenue limitation in the following year to offset the loss of revenue.

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners[1] of Bent County, Colorado.

On behalf of the Lower Arkansas Valley Water Conservancy District,
(taxing entity)[A]

the Board of Directors
(governing body)[B]

of the Lower Arkansas Valley Water Conservancy District
(local government)[C]

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of: $ 52,412,080
(GROSS[D] assessed valuation, Line 2 of the Certification of Valuation Form DLG 57[E])

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area[F] the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: $ 52,412,080
(NET[G] assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

Submitted: *12/9/2014* (mm/dd/yyyy) for budget/fiscal year *2015* (yyyy).
(not later than Dec. 15)

PURPOSE (see end notes for definitions and examples)	**LEVY**[2]		**REVENUE**[2]
1. General Operating Expenses[H]	1.5	mills	$ 78,618.12
2. <**Minus**> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction[I]	< >	mills	$< >
SUBTOTAL FOR GENERAL OPERATING:	1.5	**mills**	**$ 78,618.12**
3. General Obligation Bonds and Interest[J]		mills	$
4. Contractual Obligations[K]		mills	$
5. Capital Expenditures[L]		mills	$
6. Refunds/Abatements[M]	0.003	mills	$ 157.24
7. Other[N] (specify):		mills	$
		mills	$
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	1.503	**mills**	**$ 78,775.36**

Contact person: (print) Brenda Fillmore Daytime phone: (719)254-5155

Signed: Title: Budget Officer

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 866-2156.

[1] If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
[2] Levies must be rounded to three decimal places and revenue must be calculated from the total *NET assessed valuation* (Line 4 of Form DLG57 on the County Assessor's *final* certification of valuation).

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners[1] of Crowley County, Colorado.

On behalf of the Lower Arkansas Valley Water Conservancy District,
(taxing entity)[A]

the Board of Directors
(governing body)[B]

of the Lower Arkansas Valley Water Conservancy District
(local government)[C]

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of: $ 32,628,573
(GROSS[D] assessed valuation, Line 2 of the Certification of Valuation Form DLG 57[E])

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area[F] the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: $ 32,628,573
(NET[G] assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

Submitted: *12/9/2014* (mm/dd/yyyy) for budget/fiscal year *2015* (yyyy).
(not later than Dec. 15)

PURPOSE (see end notes for definitions and examples)	**LEVY**[2]		**REVENUE**[2]
1. General Operating Expenses[H]	1.5	mills	$ 48,942.86
2. <**Minus**> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction[I]	< >	mills	$ < >
SUBTOTAL FOR GENERAL OPERATING:	1.5	**mills**	**$ 48,942.86**
3. General Obligation Bonds and Interest[J]		mills	$
4. Contractual Obligations[K]		mills	$
5. Capital Expenditures[L]		mills	$
6. Refunds/Abatements[M]	0.003	mills	$ 97.89
7. Other[N] (specify):		mills	$
		mills	$
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	1.503	**mills**	**$ 49,040.75**

Contact person: (print) Brenda Fillmore — Daytime phone: (719)254-5155

Signed: ________ Title: Budget Officer

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 866-2156.

[1] If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
[2] Levies must be rounded to three decimal places and revenue must be calculated from the total *NET assessed valuation* (Line 4 of Form DLG57 on the County Assessor's *final* certification of valuation).

19 County Tax Entity Code DOLA LGID/SID 65124 /

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners[1] of Otero County, Colorado.

On behalf of the Lower Arkansas Valley Water Conservancy District,
(taxing entity)[A]

the Board of Directors
(governing body)[B]

of the Lower Arkansas Valley Water Conservancy District
(local government)[C]

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of: $ 90,994,869
(GROSS[D] assessed valuation, Line 2 of the Certification of Valuation Form DLG 57[E])

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area[F] the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: $ 90,124,597
(NET[G] assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

Submitted: 12/9/2014 (mm/dd/yyyy) for budget/fiscal year 2015 (yyyy).
(not later than Dec. 15)

PURPOSE (see end notes for definitions and examples)	**LEVY**[2]		**REVENUE**[2]
1. General Operating Expenses[H]	1.5	mills	$ 135,186.89
2. <**Minus**> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction[I]	< >	mills	$< >
SUBTOTAL FOR GENERAL OPERATING:	1.5	**mills**	**$ 135,186.89**
3. General Obligation Bonds and Interest[J]		mills	$
4. Contractual Obligations[K]		mills	$
5. Capital Expenditures[L]		mills	$
6. Refunds/Abatements[M]	0.003	mills	$ 270.37
7. Other[N] (specify):		mills	$
		mills	$
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	1.503	**mills**	**$135,457.26**

Contact person: (print) Brenda Fillmore — Daytime phone: (719)254-5155

Signed: — Title: Budget Officer

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 866-2156.

[1] If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
[2] Levies must be rounded to three decimal places and revenue must be calculated from the total *NET assessed valuation* (Line 4 of Form DLG57 on the County Assessor's *final* certification of valuation).

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners[1] of Prowers County, Colorado.

On behalf of the Lower Arkansas Valley Water Conservancy District,
(taxing entity)[A]

the Board of Directors
(governing body)[B]

of the Lower Arkansas Valley Water Conservancy District
(local government)[C]

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of: $ 79,004,849
(GROSS[D] assessed valuation, Line 2 of the Certification of Valuation Form DLG 57[E])

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area[F] the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: $ 77,656,531
(NET[G] assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

Submitted: 12/9/2014 (mm/dd/yyyy) for budget/fiscal year 2015 (yyyy).
(not later than Dec. 15)

PURPOSE (see end notes for definitions and examples)	**LEVY**[2]		**REVENUE**[2]
1. General Operating Expenses[H]	1.5	mills	$ 116,484.80
2. **<Minus>** Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction[I]	< >	mills	$< >
SUBTOTAL FOR GENERAL OPERATING:	1.5	**mills**	**$ 116,484.80**
3. General Obligation Bonds and Interest[J]		mills	$
4. Contractual Obligations[K]		mills	$
5. Capital Expenditures[L]		mills	$
6. Refunds/Abatements[M]	0.003	mills	$ 232.97
7. Other[N] (specify):		mills	$
		mills	$
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	1.503	**mills**	**$116,717.77**

Contact person: (print) Brenda Fillmore   Daytime phone: (719)254-5155

Signed: ____________________   Title: Budget Officer

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 866-2156.

[1] If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
[2] Levies must be rounded to three decimal places and revenue must be calculated from the total *NET assessed valuation* (Line 4 of Form DLG57 on the County Assessor's *final* certification of valuation).

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners[1] of Pueblo County, Colorado.

On behalf of the Lower Arkansas Valley Water Conservancy District,
(taxing entity)[A]

the Board of Directors
(governing body)[B]

of the Lower Arkansas Valley Water Conservancy District
(local government)[C]

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of: $ 1,029,839,506
(GROSS[D] assessed valuation, Line 2 of the Certification of Valuation Form DLG 57[E])

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area[F] the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: $ 1,000,237,598
(NET[G] assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

Submitted: *12/9/2014* (mm/dd/yyyy) for budget/fiscal year *2015* (yyyy).
(not later than Dec. 15)

PURPOSE (see end notes for definitions and examples)	**LEVY**[2]		**REVENUE**[2]
1. General Operating Expenses[H]	1.5	mills	$ 1,500,356.40
2. <**Minus**> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction[I]	< >	mills	$< >
SUBTOTAL FOR GENERAL OPERATING:	1.5	**mills**	**$ 1,500,356.40**
3. General Obligation Bonds and Interest[J]		mills	$
4. Contractual Obligations[K]		mills	$
5. Capital Expenditures[L]		mills	$
6. Refunds/Abatements[M]	0.003	mills	$ 3,000.71
7. Other[N] (specify):		mills	$
		mills	$
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	1.503	**Mills**	**$1,503,357.11**

Contact person: (print) Brenda Fillmore Daytime phone: (719)254-5155

Signed: Title: Budget Officer

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 866-2156.

[1] If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
[2] Levies must be rounded to three decimal places and revenue must be calculated from the total *NET assessed valuation* (Line 4 of Form DLG57 on the County Assessor's *final* certification of valuation).

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS[J]:

1. Purpose of Issue: ____________
   Series: ____________
   Date of Issue: ____________
   Coupon Rate: ____________
   Maturity Date: ____________
   Levy: ____________
   Revenue: ____________

2. Purpose of Issue: ____________
   Series: ____________
   Date of Issue: ____________
   Coupon Rate: ____________
   Maturity Date: ____________
   Levy: ____________
   Revenue: ____________

CONTRACTS[K]:

3. Purpose of Contract: ____________
   Title: ____________
   Date: ____________
   Principal Amount: ____________
   Maturity Date: ____________
   Levy: ____________
   Revenue: ____________

4. Purpose of Contract: ____________
   Title: ____________
   Date: ____________
   Principal Amount: ____________
   Maturity Date: ____________
   Levy: ____________
   Revenue: ____________

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

Notes:

[A] **Taxing Entity**—A jurisdiction authorized by law to impose ad valorem property taxes on taxable property located within its territorial limits (please see notes B, C, and H below). For purposes of the DLG 70 only, a taxing entity is also a geographic area formerly located within a *taxing entity's* boundaries for which the county assessor certifies a valuation for assessment and which is responsible for payment of its share until retirement of financial obligations incurred by the *taxing entity* when the area was part of the *taxing entity*. For example: an area of excluded property formerly within a special district with outstanding general obligation debt at the time of the exclusion or the area located within the former boundaries of a dissolved district whose outstanding general obligation debt service is administered by another local government[C].

[B] **Governing Body**—The board of county commissioners, the city council, the board of trustees, the board of directors, or the board of any other entity that is responsible for the certification of the *taxing entity's* mill levy. For example: the board of county commissioners is the governing board ex officio of a county public improvement district (PID); the board of a water and sanitation district constitutes ex officio the board of directors of the water subdistrict.

[C] **Local Government** - For purposes of this line on Page 1of the DLG 70, the local government is the political subdivision under whose authority and within whose boundaries the *taxing entity* was created. The local government is authorized to levy property taxes on behalf of the *taxing entity*. For example, for the purposes of this form:

1. a municipality is both the local government and the *taxing entity* when levying its own levy for its entire jurisdiction;
2. a city is the local government when levying a tax on behalf of a business improvement district (BID) *taxing entity* which it created and whose city council is the BID board;
3. a fire district is the local government if it created a subdistrict, the *taxing entity*, on whose behalf the fire district levies property taxes.
4. a town is the local government when it provides the service for a dissolved water district and the town board serves as the board of a dissolved water district, the *taxing entity*, for the purpose of certifying a levy for the annual debt service on outstanding obligations.

[D] **GROSS Assessed Value** - There will be a difference between gross assessed valuation and net assessed valuation reported by the county assessor only if there is a "tax increment financing" entity (see below), such as a downtown development authority or an urban renewal authority, within the boundaries of the *taxing entity*. The board of county commissioners certifies each *taxing entity's* total mills upon the *taxing entity's* Gross Assessed Value found on Line 2 of Form DLG 57.

[E] **Certification of Valuation by County Assessor, Form DLG 57** - The county assessor(s) uses this form (or one similar) to provide valuation for assessment information to a *taxing entity*. The county assessor must provide this certification no later than August 25th each year and may amend it, one time, prior to December 10th.

[F] **TIF Area**—A downtown development authority (DDA) or urban renewal authority (URA), may form plan areas that use "tax increment financing" to derive revenue from increases in assessed valuation (gross minus net, Form DLG 57 Line 3) attributed to the activities/improvements within the plan area. The DDA or URA receives the differential revenue of each overlapping *taxing entity's* mill levy applied against the *taxing entity's* gross assessed value after subtracting the *taxing entity's* revenues derived from its mill levy applied against the net assessed value.

[G] **NET Assessed Value**—The total taxable assessed valuation from which the *taxing entity* will derive revenues for its uses. It is found on Line 4 of Form DLG 57.

[H] **General Operating Expenses (DLG 70 Page 1 Line 1)**—The levy and accompanying revenue reported on Line 1 is for general operations and includes, in aggregate, all levies for and revenues raised by a *taxing entity* for purposes not lawfully exempted and detailed in Lines 3 through 7 on Page 1 of the DLG 70. For example: a fire pension levy is included in general operating expenses, unless the pension is voter-approved, if voter-approved, use Line 7 (Other).

[I] **Temporary Tax Credit for Operations (DLG 70 Page 1 Line 2)**—The Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction of 39-1-111.5, C.R.S. may be applied to the *taxing entity*'s levy for general operations to effect refunds. Temporary Tax Credits (TTCs) are not necessary for other types of levies (non-general operations) certified on this form because these levies are adjusted from year to year as specified by the provisions of any contract or schedule of payments established for the payment of any obligation incurred by the *taxing entity* per 29-1-301(1.7), C.R.S., or they are certified as authorized at election per 29-1-302(2)(b), C.R.S.

[J] **General Obligation Bonds and Interest (DLG 70 Page 1 Line 3)**—Enter on this line the total levy required to pay the annual debt service of all general obligation bonds. Per 29-1-301(1.7) C.R.S., the amount of revenue levied for this purpose cannot be greater than the amount of revenue required for such purpose as specified by the provisions of any contract or schedule of payments. Title 32, Article 1 Special districts and subdistricts must complete Page 2 of the DLG 70.

[K] **Contractual Obligation (DLG 70 Page 1 Line 4)**—If repayment of a contractual obligation with property tax has been approved at election and it is not a general obligation bond (shown on Line 3), the mill levy is entered on this line. Per 29-1-301(1.7) C.R.S., the amount of revenue levied for this purpose cannot be greater than the amount of revenue required for such purpose as specified by the provisions of any contract or schedule of payments.

[L] **Capital Expenditures (DLG 70 Page 1 Line 5)**—These revenues are not subject to the statutory property tax revenue limit <u>if</u> they are approved by counties and municipalities <u>through public hearings</u> pursuant to 29-1-301(1.2) C.R.S. and for special districts <u>through approval from the Division of Local Government</u> pursuant to 29-1-302(1.5) C.R.S. or for any *taxing entity* if <u>approved at election</u>. Only levies approved by these methods should be entered on Line 5.

[M] **Refunds/Abatements (DLG 70 Page 1 Line 6)**—The county assessor reports on the Certification of Valuation (DLG 57 Line 11) the amount of revenue from property tax that the local government did not receive in the prior year because taxpayers were given refunds for taxes they had paid or they were given abatements for taxes originally charged to them due to errors made in their property valuation. The local government was due the tax revenue and would have collected it through an adjusted mill levy if the valuation errors had not occurred. Since the government was due the revenue, it may levy, in the subsequent year, a mill to collect the refund/abatement revenue. An abatement/refund mill levy may generate revenues up to, but not exceeding, the refund/abatement amount from Form DLG 57 Line 11.

1. Please Note: <u>If the *taxing entity* is in more than one county, as with all levies, the abatement levy must be uniform throughout the entity's boundaries and certified the same to each county.</u> To calculate the abatement/refund levy for a *taxing entity* that is located in more than one county, first total the abatement/refund amounts reported by each county assessor, then divide by the *taxing entity*'s total net assessed value, then multiply by 1,000 and round <u>down</u> to the nearest three decimals to prevent levying for more revenue than was abated/refunded. This results in an abatement/refund mill levy that will be uniformly certified to all of the counties in which the *taxing entity* is located even though the abatement/refund did not occur in all the counties.

[N] **Other (DLG 70 Page 1 Line 7)**—Report other levies and revenue not subject to 29-1-301 C.R.S. that were not reported above. For example: a levy for the purposes of television relay or translator facilities as specified in sections 29-7-101, 29-7-102, and 29-7-105 and 32-1-1005 (1) (a), C.R.S.; a voter-approved fire pension levy; a levy for special purposes such as developmental disabilities, open space, etc.

Lower Arkansas Valley Water Conservancy District
Comparative Statement
Revenues and Expenditures
3 Year

	2015 Budget	2014 Projected to 12/31/14	2013 Actual
REVENUES			
MILL LEVY COLLECTIONS	$ 1,879,600.00	$ 1,913,500.00	$ 1,912,300.00
S.O. TAX COLLECTIONS	110,800.00	155,000.00	175,200.00
REFUND/ABATEMENTS	3,800.00	400.00	200.00
INTEREST	6,300.00	10,200.00	9,000.00
OTHER INCOME	-	-	700.00
FUND BALANCE	955,200.00	1,270,000.00	873,400.00
TOTAL REVENUES	$ 2,955,700.00	$ 3,349,100.00	$ 2,970,800.00

	2015 Budget	2014 Projected to 12/31/14	2013 Actual
EXPENDITURES			
OUTSIDE SERVICES	$ 216,000.00	$ 132,100.00	$ 161,800.00
CAPITAL OUTLAY	13,000.00	12,400.00	115,600.00
COUNTY TREASURER'S FEE	32,600.00	33,200.00	33,000.00
ADMINISTRATION	774,000.00	676,300.00	534,500.00
CONTINGENCY EXPENSE	250,000.00	200,000.00	-
ASSISTANCE FOR OTHER ENTITIES	125,000.00	50,000.00	47,700.00
MANAGEMENT FEE	425,000.00	870,000.00	816,000.00
TRANSFERS TO ENTERPRISE	925,000.00	400,000.00	-
TABOR	18,100.00	19,900.00	(7,800.00)
TOTAL EXPENDITURES	$ 2,778,700.00	$ 2,393,900.00	$ 1,700,800.00
Revenues less Expenditures	$ 177,000.00	$ 955,200.00	$ 1,270,000.00

Lower Arkansas Valley Water Conservancy District
Comparative Statement
Revenues and Expenditures
3 Year

	2015 Budget	2014 Projected to 12/31/14	2013 Actual
REVENUES			
MILL LEVY COLLECTIONS	*$ 1,879,600.00*	*$ 1,913,500.00*	*$ 1,912,300.00*
S.O. TAX COLLECTIONS	*110,800.00*	*155,000.00*	*175,200.00*
REFUND/ABATEMENTS	*3,800.00*	*400.00*	*200.00*
INTEREST	*6,300.00*	*10,200.00*	*9,000.00*
OTHER INCOME	-	-	*700.00*
FUND BALANCE	*955,200.00*	*1,270,000.00*	*873,400.00*
TOTAL REVENUES	$ 2,955,700.00	$ 3,349,100.00	$ 2,970,800.00

	2015 Budget	2014 Projected to 12/31/14	2013 Actual
EXPENDITURES			
OUTSIDE SERVICES	*$ 216,000.00*	*$ 132,100.00*	*$ 161,800.00*
CAPITAL OUTLAY	*13,000.00*	*12,400.00*	*115,600.00*
COUNTY TREASURER'S FEE	*32,600.00*	*33,200.00*	*33,000.00*
ADMINISTRATION	*774,000.00*	*676,300.00*	*534,500.00*
CONTINGENCY EXPENSE	*250,000.00*	*200,000.00*	-
ASSISTANCE FOR OTHER ENTITIES	*125,000.00*	*50,000.00*	*47,700.00*
MANAGEMENT FEE	*425,000.00*	*870,000.00*	*816,000.00*
TRANSFERS TO ENTERPRISE	*925,000.00*	*400,000.00*	-
TABOR	*18,100.00*	*19,900.00*	*(7,800.00)*
TOTAL EXPENDITURES	$ 2,778,700.00	$ 2,393,900.00	$ 1,700,800.00
Revenues less Expenditures	$ 177,000.00	*$ 955,200.00*	*$ 1,270,000.00*

2015
Enterprise
Budget

Lower Arkansas Valley WATER CONSERVANCY DISTRICT

Enterprise Fund
Budget 2015

	2015 Budget	2014 Projected to 12/31/14	2014 Budget	2015 Budget to 2014 Projected Variance	Explanation
REVENUES					
Water Leasing	$ 32,000.00	$ 32,400.00	$ 76,000.00	$ (400.00)	Based on '15 Projection
Application Easement Fee	2,000.00	-	1,000.00	2,000.00	Based on '15 Projection
Interest Income	800.00	600.00	1,000.00	200.00	Based on current interest rates
Misc Income	-	-	500.00	-	Based on '15 Projection
Reimbursement - Super Ditch	25,000.00	42,800.00	50,000.00	(17,800.00)	Based on Grant reimb
Reimbursements/Payments	350,000.00	250,000.00	250,000.00	100,000.00	Based on Grant reimb & Aurora
Reimbursement - Rule 10	72,000.00	4,200.00	-	67,800.00	Based on Grant Reimbursement
Management Fee Revenue	425,000.00	400,000.00	500,000.00	25,000.00	From General Fund
Due From General	925,000.00	870,000.00	1,200,000.00	55,000.00	From General Fund
Rule 10 Fees	120,000.00	115,900.00	75,000.00	4,100.00	Based on '15 Projection
Other Financing Sources	591,000.00	1,903,500.00	-	(1,312,500.00)	Based on '15 Projection
Total Revenues	**$ 2,542,800.00**	**$ 3,619,400.00**	**$ 2,153,500.00**	**$ (1,076,600.00)**	
Carry Over Fund Balance	$ 74,000.00	$ 156,300.00	$ 353,300.00	$ (82,300.00)	
	$ 2,616,800.00	$ 3,775,700.00	$ 2,506,800.00	$ (1,158,900.00)	

Lower Arkansas Valley WATER CONSERVANCY DISTRICT

Enterprise Fund
Budget 2015

	2015 Budget	2014 Projected to 12/31/14	2014 Budget	2015 Budget to 2014 Projected Variance	Explanation
EXPENSES					
Outside Services					
Bank/Credit Card Scv/Fee Chg	$ 200.00	$ -	$ 200.00	$ 200.00	Based on '15 Projection
Accounting/Auditing Services	500.00	-	1,000.00	500.00	Based on '15 Projection
Legal (Conservation Easements)	35,000.00	27,700.00	50,000.00	7,300.00	Based on '15 Projection
Legal/Engineering Super Ditch	175,000.00	204,900.00	400,000.00	(29,900.00)	Based on '15 Projection
Super Ditch Reimb Expenses	-	34,100.00	50,000.00	(34,100.00)	Based on Grant Reimb
Arkansas Irrigation Rules	95,000.00	42,400.00	75,000.00	52,600.00	Based on '15 Projection
Pond Study Expenses	55,000.00	54,500.00	85,000.00	500.00	Based on '15 Projection
Recharge Pond	20,000.00	14,300.00	5,000.00	5,700.00	Based on '15 Projection
Professional Svc	3,500.00	-	1,000.00	3,500.00	Based on '15 Projection
Special Services	20,000.00	-	20,000.00	20,000.00	Accounting Tool
Total Outside Service	**$ 404,200.00**	**$ 377,900.00**	**$ 687,200.00**	**$ 26,300.00**	
Administration					
Administration Fee	$ -	$ -	$ 15,000.00	-	Rule 10, CE, Larkspur
Office Supplies/Postage	9,000.00	10,600.00	1,000.00	(1,600.00)	Based on '15 Projection
Rent	4,800.00	3,800.00	-	1,000.00	New Account
Utilities	4,000.00	2,900.00	-	1,100.00	New Account
Workshops/Seminars	5,000.00	2,000.00	-	3,000.00	New Account
Meeting Expense	5,000.00	1,200.00	-	3,800.00	New Account
Travel - Staff	10,000.00	8,600.00	5,000.00	1,400.00	Based on '15 Projection
Dues & Membership	1,000.00	2,300.00	1,500.00	(1,300.00)	Based on '15 Projection
Property Tax	7,000.00	6,500.00	5,000.00	500.00	Based on '15 Projection
Contingency	100,000.00	50,000.00	75,000.00	50,000.00	Based on '15 Projection
Total Administration	**$ 145,800.00**	**$ 87,900.00**	**$ 102,500.00**	**$ 57,900.00**	
Water Rights Acquisition					
Conservation Easement Assistant	$ 10,000.00	$ 7,800.00	$ 10,000.00	$ 2,200.00	Based on '15 Projection
Conservation Easement Purchase	800,000.00	855,900.00	700,000.00	(55,900.00)	Based on '15 Projection
Baseline Inventory	2,000.00	5,000.00	500.00	(3,000.00)	Based on '15 Projection
Appraisal Fee	10,000.00	-	8,000.00	10,000.00	Based on '15 Projection
Water Storage	90,000.00	87,200.00	90,000.00	2,800.00	Based on 7% increase in cost
Water Assessments Fees	70,000.00	62,800.00	45,000.00	7,200.00	Based on '15 Projection
Water Acquisition	611,000.00	1,913,400.00	400,000.00	(1,302,400.00)	Based on '15 Projection
Water Lease	200,000.00	265,600.00	150,000.00	(65,600.00)	Based on '15 Projection
Water Quality Study	10,000.00	11,200.00	10,000.00	(1,200.00)	Based on '15 Projection
Tailwater Study	70,000.00	12,500.00	-	57,500.00	Based on '15 Projection
NEPA Storage	90,000.00	9,500.00	150,000.00	80,500.00	Based on '15 Projection
If & When Surcharge SECWCD	5,000.00	5,000.00	5,000.00	-	Based on '15 Projection
Total Water Rights Acquisition	**$ 1,968,000.00**	**$ 3,235,900.00**	**$ 1,568,500.00**	**$ (1,267,900.00)**	
Subtotal Expense	**$ 2,518,000.00**	**$ 3,701,700.00**	**$ 2,358,200.00**		
TOTAL NET INCOME/LOSS	**$ 98,800.00**	**$ 74,000.00**	**$ 148,600.00**		

LOWER ARKANSAS VALLEY

WATER CONSERVANCY DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2013

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

TABLE OF CONTENTS

HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS
601 SOUTH EIGHTH STREET
ROCKY FORD, COLORADO 81067

Patrick A. Hancock CPA 719-688-0812
Andrew H. Froese CPA 719-980-1962

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lower Arkansas Valley Water Conservancy District

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Lower Arkansas Valley Water Conservancy District, as of and for the year ended December 31, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Lower Arkansas Valley Water Conservancy District, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 Lower Arkansas Valley Water Conservancy District's financial statements as a whole. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements are the responsibility of management and were 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.

Hancock Froese & Company LLC

HANCOCK FROESE & COMPANY LLC

March 24, 2014

Our discussion and analysis of the Lower Arkansas Valley Water Conservancy District's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2013. This information is presented in conjunction with the audited financial statements that follow this section.

Overview of the Financial Statements
The financial statements presented herein include all of the activities of the District as prescribed by GASB Statement No. 34.

District-Wide Financial Statements
The district-wide statement consists of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include all assets and liabilities and activities of the District in a manner similar to private sector businesses. The District's net position, the difference between assets and liabilities-is one way to measure the District's financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. In the Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities: governmental activities and business-type activities.

Governmental Activities - The activity of the District's general fund is reported here. Property taxes, specific ownership taxes, and interest income make up the majority of the revenues and general and administration expenditures are the major activities of this fund.

Business-Type Activities - The District manages an enterprise activity, which develops and operates the District's water right assets. The activities of the water activity enterprise fund are supported by management fees from the general fund and water leasing.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are segregated into two categories: governmental funds and proprietary funds.

Governmental Fund - The District's basic services are reported in the governmental fund, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. This fund is reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's projects.

Proprietary Fund - The District maintains one proprietary fund - an enterprise fund. The water activity enterprise fund is reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activity in the government-wide financial statements but provide more detail and additional information. The District uses an enterprise fund to account for its water management operations.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to basic financial statements can be found following the financial statements.

District-wide Financial Analysis
Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $ 20,996,781 at the end of the current year.

Financial Highlights

The total net position of the District exceeded its liabilities by $20,996,781. Of this amount $16,575,273 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's net position increased by $1,108,928 during the current year. The net position of our governmental activities increased by $492,612 and net position of our business-type activities increased by $616,316.
- As of the close of the current year, the District's governmental activities reported combined ending fund balance of $1,450,828 an increase of $492,612 in comparison with the prior year balances of $958,216.
- At the end of the current year, unrestricted net position for the governmental activities was $1,270,046 or 79 percent of total general activities expenses of $1,604,844.

The perspective of the statement of net position is of the District as a whole. Following is a summary of the District's net position for 2013 and 2012.

Statement of Net Position

2013	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	$ 3,273,440	$ 318,042	$ 3,591,482
Non-Current Assets Restricted	0	173,398	173,398
Total Capital Assets	129,482	4,067,328	4,196,810
Total Intangible Assets	0	15,075,060	15,075,060
TOTAL ASSETS	$ 3,402,922	$ 19,633,828	$ 23,036,750
Liabilities:			
Current Liabilities	$ 75,076	$ 87,875	$ 162,951
Deferred Inflows of Resources	1,877,018	0	1,877,018
Net Position	1,450,828	19,545,953	20,996,781
TOTAL LIABILITIES, DEFERRED INFLOWS NET POSITION	$ 3,402,922	$ 19,633,828	$ 23,036,750

2012	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	$ 2,925,354	$ 548,856	$ 3,474,210
Non-Current Assets Restricted	0	163,072	163,072
Total Capital Assets	25,737	4,253,568	4,279,305
Total Intangible Assets	0	14,074,060	14,074,060
TOTAL ASSETS	$2,951,091	$ 19,044,556	$ 21,995,647
Liabilities:			
Current Liabilities	$ 1,992,875	$ 114,919	$ 2,107,794
Net Position	958,216	18,929,637	19,887,853
TOTAL LIABILITIES AND NET POSITION	$ 2,951,091	$ 19,044,556	$ 21,995,647

Statement of Activities

The change in net position for the governmental activities was $492,612 for the year ended December 31, 2013 and $120,422 for the year ended December 31, 2012. The change in net position for the business-type activities was $616,316 for the year ended December 31, 2013 and $1,403,431 for the year ended December 31, 2012. The perspective of the statement of activities is of the District as a whole.

The following tables reflect the change in net position for the years 2013 and 2012:

2013

Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	CHANGES IN NET POSITION: Governmental Activities	Business Type Activities	Total
TOTAL GOVERNMENTAL ACTIVITIES	$ 1,604,844	$ 0	$ 0	$ 0	$ (1,604,844)	$ 0	$ (1,604,844)
TOTAL BUSINESS-TYPE ACTIVITIES	1,153,620	939,177	245,221	585,000	0	615,778	615,778
TOTAL PRIMARY GOVERNMENT	$ 2,758,464	$ 939,177	$ 245,221	$ 585,000	(1,604,844)	615,778	(989,066)
TOTAL GENERAL REVENUES					2,097,456	538	2,097,994
CHANGE IN NET POSITION					$ 492,612	$ 616,316	$ 1,108,928

2012

Functions	Expenses	Charges for Services	Operating Grants and Contributions	CHANGES IN NET POSITION: Governmental Activities	Business Type Activities	Total
TOTAL GOVERNMENTAL ACTIVITIES	$ 1,962,683	$ 0	$ 0	$ (1,962,683)	$ 0	$ (1,962,683)
TOTAL BUSINESS-TYPE ACTIVITIES	1,549,450	1,416,190	518,434	0	385,174	385,174
TOTAL PRIMARY GOVERNMENT	$ 3,512,133	$1,416,190	$ 518,434	(1,962,683)	385,174	(1,577,509)
TOTAL GENERAL REVENUES AND TRANSFERS				2,083,105	1,018,257	3,101,362
CHANGE IN NET POSITION				$ 120,422	$ 1,403,431	$ 1,523,853

GENERAL FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON GENERAL FUND

Revenues and expenditures budget comparison for year ended December 31, 2013:

2013	Final Budget	Actual
Total Revenues	$ 2,051,400	$ 2,097,456
Total Expenditures	2,482,500	1,708,589
Revenues over (under) Expenditures	(431,100)	388,867
Fund Balance January 1	932,479	932,479
Fund Balance December 31	501,379	1,321,346

Revenues: Changes between actual revenues and budgeted amounts were mainly due to an increase in specific ownership tax receipts when compared to the budgeted amount.

Expenditures: Changes between actual expenditures and budgeted amounts were due to the overall actual capital outlay and contingency expenditures being less than the budgeted amount as well as no transfers being made in 2013.

WATER ACTIVITY ENTERPRISE FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON WATER ACTIVITY ENTERPRISE FUND

Revenues: Budget comparison for year ended December 31, 2013:

2013 *Revenues:*	Final Budget	Actual
Water Leasing	$ 76,000	$ 37,113
Fees	66,000	86,050
Management Fees	1,300,000	816,014
Grants and Other	251,000	370,221
Interest	1,500	538
Total Revenues	$ 1,694,500	$ 1,309,936

Changes between actual revenue and budgeted amounts were primarily due to operational changes resulting from water leasing, grants, and management fees.

Expenditures: Budget comparison for year ended December 31, 2013:

2013 **Expenditures:**	Final Budget	Actual
Water Leases	$ 50,000	$ 27,014
Assistance to Other Entities	5,000	67,695
Water Storage Fees	95,000	77,995
Arkansas Irrigation Rules	200,000	92,456
Super Ditch	550,000	392,176
Pond Study	25,000	46,837
Grants	100,000	245,221
Depreciation	0	6,689
General and Administrative	150,200	145,695
Water Assessments and Costs	40,000	38,629
Water Education Campaign	0	3,787
Water Quality Study	10,000	0
Water Acquisitions	100,000	594
NEPA Storage	200,000	9,426
Purchased Conservation Easement	500,000	361,000
Total Expenditures	$ 2,025,200	$ 1,515,214

Changes between actual expenditures and budgeted amounts were primarily due to operational changes.

Capital Activity

The District's mission is to participate in water-related projects that will embody thoughtful conservation, responsible growth, and beneficial water usage within the Lower Arkansas Valley. One attempt in keeping water in the valley is to purchase water/land with the end result that the water will remain in the valley.

A listing of water rights purchased by the District for 2013 is as follows:

1. Larkspur Inc. water rights — 8.50 shares of water with no land attached

Contacting the District's Financial Management

The financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives.

The District's financial statements are designed to present users (water users, taxpayers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability.

If you have any question regarding this report or need additional information, please contact:

Lower Arkansas Valley Water Conservancy District
Attn: Jay Winner, Executive Director
801 Swink Ave
Rocky Ford, CO 81067
(719) 254-5115 phone (719) 254-5150 fax

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CASH AND CASH EQUIVALENTS	$ 1,353,838	$ 158,558	$ 1,512,396
GRANTS RECEIVABLE	-	3,031	3,031
WATER INVENTORY	-	34,948	34,948
DUE FROM OTHER ENTITIES	2,125	23,040	25,165
DUE FROM OTHER FUND	(17,470)	17,470	-
ACCRUED INTEREST RECEIVABLE	586	-	586
DEPOSITS	57,343	-	57,343
TAXES RECEIVABLE	1,877,018	-	1,877,018
PREPAID WATER LEASES	-	80,995	80,995
	3,273,440	318,042	3,591,482
RESTRICTED ASSETS			
STEWARDSHIP CASH	-	173,398	173,398
CAPITAL ASSETS			
BUILDING AND OTHER - NET	113,747	127,587	241,334
LAND	15,735	32,380	48,115
WATER STOCK	-	3,907,361	3,907,361
NET CAPITAL ASSETS	129,482	4,067,328	4,196,810
INTANGIBLE ASSETS			
CONSERVATION EASEMENTS	-	15,075,060	15,075,060
TOTAL ASSETS	$ 3,402,922	$ 19,633,828	$ 23,036,750
LIABILITIES			
ACCOUNTS PAYABLE	$ 18,141	$ 73,820	$ 91,961
ACCRUED EXPENSES	56,935	-	56,935
UNEARNED REVENUES - WATER LEASES	-	14,055	14,055
TOTAL LIABILITIES	75,076	87,875	162,951
DEFERRED INFLOWS OF RESOURCES			
DEFERRED REVENUES - PROPERTY TAXES	1,877,018	-	1,877,018
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	129,482	4,067,328	4,196,810
RESTRICTED FOR			
EMERGENCIES - TABOR	51,300	-	51,300
STEWARDSHIP COSTS	-	173,398	173,398
UNRESTRICTED	1,270,046	15,305,227	16,575,273
NET POSITION	1,450,828	19,545,953	20,996,781
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 3,402,922	$ 19,633,828	$ 23,036,750

SEE NOTES TO FINANCIAL STATEMENTS

CHANGES IN NET POSITION		
GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
$ (1,604,844)	$ -	$ (1,604,844)
(1,604,844)	-	(1,604,844)
-	615,778	615,778
-	615,778	615,778
(1,604,844)	615,778	(989,066)
2,087,485	-	2,087,485
9,971	538	10,509
2,097,456	538	2,097,994
492,612	616,316	1,108,928
958,216	18,929,637	19,887,853
$ 1,450,828	$ 19,545,953	$ 20,996,781

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2013

ASSETS	
CASH IN BANKS	$ 1,353,838
ACCRUED INTEREST RECEIVABLE	586
DEPOSITS	57,343
DUE FROM OTHER ENTITIES	2,125
TAXES RECEIVABLE	1,877,018
TOTAL ASSETS	$ 3,290,910
LIABILITIES	
ACCOUNTS PAYABLE	$ 18,141
ACCRUED EXPENSES	56,935
DUE TO ENTERPRISE FUND	17,470
TOTAL LIABILITIES	92,546
DEFERRED INFLOWS OF RESOURCES	
DEFERRED REVENUE - PROPERTY TAX	1,877,018
FUND BALANCE	
RESTRICTED FOR EMERGENCIES - TABOR	51,300
ASSIGNED FOR FUTURE YEARS EXPENDITURES	883,300
UNASSIGNED	386,746
TOTAL FUND BALANCE	1,321,346
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	$ 3,290,910

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2013

REVENUES	
TAXES	$ 2,087,485
MISCELLANEOUS	9,971
TOTAL REVENUES	2,097,456
EXPENDITURES	
GENERAL GOVERNMENT	1,708,589
CHANGE IN FUND BALANCE	388,867
FUND BALANCE JANUARY 1	932,479
FUND BALANCE DECEMBER 31	$ 1,321,346

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

NET CHANGE IN FUND BALANCE		$ 388,867
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE. THIS IS THE AMOUNT BY WHICH CAPITAL OUTLAY EXCEEDED DEPRECIATION IN THE CURRENT PERIOD.		
CAPITAL OUTLAY	105,353	
DEPRECIATION EXPENSE	(1,608)	
		103,745
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 492,612

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

DECEMBER 31, 2013

CURRENT ASSETS		
CASH	$	158,558
WATER INVENTORY		34,948
GRANTS RECEIVABLE		3,031
DUE FROM OTHER ENTITIES		23,040
DUE FROM GENERAL FUND		17,470
PREPAIDS		80,995
TOTAL CURRENT ASSETS		318,042
RESTRICTED ASSETS		
CASH RESTRICTED FOR STEWARDSHIP COSTS		173,398
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET		127,587
LAND		32,380
WATER STOCK		3,907,361
NET CAPITAL ASSETS		4,067,328
INTANGIBLE ASSETS		
CONSERVATION EASEMENTS		15,075,060
TOTAL ASSETS	$	19,633,828
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	$	73,820
UNEARNED REVENUE - WATER LEASES		14,055
TOTAL CURRENT LIABILITIES		87,875
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS		4,067,328
RESTRICTED		173,398
UNRESTRICTED		15,305,227
TOTAL NET POSITION		19,545,953
TOTAL LIABILITIES AND NET POSITION	$	19,633,828

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2013

OPERATING REVENUES	
WATER LEASING	$ 37,113
FEES	5,000
RULE 10 FEE INCOME	81,050
MANAGEMENT FEES AND REIMBURSEMENTS	816,014
TOTAL REVENUES	939,177
OPERATING EXPENSES	
WATER LEASES	27,014
IRRIGATION RULES	92,456
SUPER DITCH	389,353
POND STUDY	46,837
EASEMENTS	58,277
NEPA STORAGE	9,426
DEPRECIATION	6,689
STORAGE FEES	77,995
PERSONNEL	75,032
WATER ASSESSMENTS	38,629
RECHARGE POND	2,823
PROPERTY TAXES	6,571
OTHER	5,815
TOTAL OPERATING EXPENSES	836,917
OPERATING INCOME	102,260
NONOPERATING REVENUES (EXPENSES)	
CONSERVATION EASEMENT CONTRIBUTIONS	460,000
ENVIRONMENTAL IMPACT STUDY	125,000
WATER EDUCATION CAMPAIGN EXPENSES	(3,787)
INTEREST INCOME	538
GRANT EXPENSES	(245,221)
GRANT REVENUES	245,221
ASSISTANCE TO OTHER ENTITIES	(67,695)
CHANGE IN NET POSITION	616,316
NET POSITION JANUARY 1	18,929,637
NET POSITION DECEMBER 31	$ 19,545,953

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM CUSTOMERS	$ 132,247
CASH RECEIVED FROM INTERFUND ACTIVITIES	818,234
CASH PAYMENTS TO EMPLOYEES AND SUPPLIERS	(829,958)
NET CASH PROVIDED BY OPERATING ACTIVITIES	120,523
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
CASH RECEIVED FROM GRANTS	551,866
CASH PAYMENTS ON GRANTS	(258,408)
CASH PAYMENTS FOR WATER EDUCATION CAMPAIGN	(3,787)
CASH RECEIVED FOR ENVIRONMENTAL IMPACT STUDY	125,000
CASH PAYMENTS FOR ASSISTANCE TO OTHER ENTITIES	(67,695)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	346,976
CASH FLOWS FROM INVESTING ACTIVITIES	
DECREASE IN RESTRICTED CASH	(5,326)
PROCEEDS FROM SALE OF LAND	144
WATER STOCK PURCHASES	(593)
PURCHASED CONSERVATION EASEMENT	(361,000)
INTEREST AND OTHER	538
NET CASH USED IN INVESTING ACTIVITIES	(366,237)
NET CHANGE IN CASH	101,262
CASH BEGINNING OF YEAR	57,296
CASH END OF YEAR	$ 158,558
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME	$ 102,260
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
DEPRECIATION	6,689
CHANGES IN ASSETS AND LIABILITIES	
WATER INVENTORY	24,704
PREPAIDS	(1,493)
ACCOUNTS PAYABLE	(22,941)
DUE FROM GENERAL FUND	2,220
DEFERRED REVENUE	9,084
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 120,523

SEE NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lower Arkansas Valley Water Conservancy District (the "District") was formed pursuant to Colorado Revised Statutes and as decreed by the District Court in and for Pueblo County, in 2002. The Court appoints a seven member Board of Directors to act as the governing authority. The mission of the District is to acquire, retain, and conserve native water flowing in the Arkansas River and its tributaries in the five counties comprising the District. The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The District's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial reporting Entity*" amended by GASB Statement No. 39, describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

The District is not included in any other governmental "reporting entity" as defined in GASB Statement No. 14. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the District (the primary government) and its component units, if applicable. Currently no component units have been included in the District's reporting entity because of a lack of significant operational or financial relationship with the District.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*" which amended GASB Statement No. 14 to clarify the reporting of equity interests in legally separate organizations. If a government owns a majority of the equity interest in a legally separate organization (for example, through acquisition of its voting stock) and the government's intent for owning the equity interest is not directly to enhance its ability to provide governmental services it should report the equity interest as an investment. The District's investment is water stock that has been purchased. As of December 31, 2013, the Lower Arkansas Valley Water Conservancy District owned 14,196.60 shares or approximately 75% of Larkspur Inc. The Larkspur Inc. is a mutual irrigation company that provides for the storage and distribution of irrigation water for the mutual benefit of its stockholders.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the governmental and proprietary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property and specific ownership taxes, interest revenues, and charges for services are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and entitlement awards are recorded as revenue when earned. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received.

The District has the following major funds:
Governmental Fund - The general fund is the general operation fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund - The Water Activity Enterprise Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise fund are composed of water and water stock sales, leasing activities, management fees and reimbursements. Operating expenses for the enterprise fund include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The enterprise fund accounts for transactions that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through charges.

Encumbrances
Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because at the present time it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Budgets and Budgetary Accounting
The District adheres to the following procedures in establishing budgeting data reflected in the financial statements:

Public hearings are held to obtain taxpayer comment

Prior to December 31, the budget is adopted by formal resolution.

Revisions that alter the total expenditures of any fund generally must be approved by the Board of Directors.

Appropriations lapse at year end and any open purchase items must be reappropriated in the following year.

Expenditures may not legally exceed appropriations at the fund level.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the District considers all highly liquid investments (excluding restricted assets) with a maturity of six months or less when purchased to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash
The District chose to treat their restricted cash and cash equivalents as investments. Accordingly the restricted cash and cash equivalents are treated as investing activities in the statement of cash flows.

Water Inventory
The water inventory is carried at the lower of cost or market, with cost determined using the expenses involved in acquiring water held in storage.

Capital Assets
Capital assets, which include water stocks, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The monetary threshold for capitalization of assets is $5,000. The District's depreciable capital assets currently consist of assets being depreciated over 10 - 40 years.

Water Stocks
Water stocks represent an investment in stocks that the District has purchased in canal and reservoir companies in the area served by the District. The water stocks are recorded at cost. Based on the fact that the water stocks have a perpetual life and a decrease in value is remote, depreciation is not recognized.

Intangible Assets
Intangible assets represent conservation easements that were donated by the landowners or purchased by the District. Under GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*", easements are capitalized if donated by the landowners or purchased by the District. The District recognizes contribution easement revenue from donated conservation easements as the difference between the appraised value before the donated conservation easement and the appraised value after the donated conservation easement. The District records the easements using an indefinite useful life since there is no legal, contractual, regulatory, technological, or other factors that limit the useful life of the easements. Due to the indefinite useful life of the easements recorded, they are not amortized.

Water Leases
The right to use water from certain canal companies and reservoirs in the area is leased from the stockholders of these entities for a period designated in the leases. The District in turn rents the right to the water to individuals or entities that wish to use the water for a fee. The lease is amortized into expense over the term of the lease, usually one year. The revenue from the use of the water is recognized as earned based on the terms of the lease.

Receivables/Payables
Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Compensated Absences
The District recognizes the accrual in the general fund in that it is expected that the liability will be liquidated with expendable available financial resources.

Property Tax Revenues Recognition
Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied December 15 and are due and payable in full by April 30 or in two equal installments due February 28 and June 15 of the ensuing year to the County Treasurers, and are recorded as revenue in the year for which they are levied. Accordingly, the taxes receivable are for the next year and are recorded as deferred revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources.* This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources.* This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Deferred revenue – property tax, represents unavailable revenues that are deferred and recognized in the period that the amounts become available.

Net Position / Fund Balance
In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net investment in capital assets – This amount consists of capital assets, net of accumulated depreciation, reduced by outstanding debt, if applicable, attributed to the acquisition, construction, or improvement of those assets.

Restricted net position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted net position – This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position"

GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position / Fund Balance (continued)
When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, followed by committed fund balance, assigned fund balance and unassigned fund balance.

Restricted Balances
Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. A portion of the fund balance has been restricted in compliance with this requirement.

The net position of the proprietary fund has been restricted for cash that is held in a restricted account. The cash may only be used to pay for stewardship costs incurred in complying with easement requirements.

Retirement Plan
The District participates in a simple IRA plan that covers the employees of the District. Participation in the plan is available to both full and part time employees who work at least 1,000 hours per year and are 21 years old after one year of full time service. The District matches 100% up to 3% of the employee's contribution into this plan. If the employee makes no contributions, the District contributes 2% of eligible employee's annual salary into the plan. The expense was $9,477 for the year ended December 31, 2013.

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

NOTE 2 - CASH AND TEMPORARY CASH INVESTMENTS

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial credit risk in 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. The following shows the custodial risk of the District.

Deposits at December 31, 2013, had a bank balance of $1,860,903 and a corresponding carrying balance as follows:

Insured Deposits	$ 1,029,260
Covered by Public Deposit Protection Act	656,234
Petty Cash	300
	$ 1,685,794

Cash is reported as follows:

Cash and Cash Equivalents	$ 1,512,396
Restricted Cash	173,398
	$ 1,685,794

NOTE 3 – PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Taxes receivable represents 2013 property tax assessments, which are due in 2014. Deferred revenue in the same amount has also been recognized.

NOTE 4 – CAPITAL ASSETS

Primary Government:

Capital Assets Not Being Depreciated:

	Beginning	Increases	Decreases	Ending
Water Stock	$ 3,982,768	$ 593	$ (76,000)	$ 3,907,361
Land	152,259	-	(104,144)	48,115
Total	$ 4,135,027	$ 593	$ (180,144)	$ 3,955,476

Capital Assets Being Depreciated:

	Beginning	Increases	Decreases	Ending
Building and Other	$ 182,106	$ 105,353	$ -	$ 287,459
Accumulated Depreciation	(37,828)	(8,297)	-	(46,125)
Total	$ 144,278	$ 97,056	$ -	$ 241,334
Total Capital Assets	$ 4,279,305	$ 97,649	$ (180,144)	$ 4,196,810

Depreciation expense of $1,608 was charged to general government in the governmental activities and $6,689 to water conservation in the business-type activities.

NOTE 5 - AMENDMENT ONE

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 entity's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

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

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property, sales, fund transfers, damage awards, and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

NOTE 5 - AMENDMENT ONE (Continued)

The Amendment requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service). Emergency reserves have been presented as a reservation of fund balance in the general funds. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment in order to determine its compliance.

NOTE 6 – RISK MANAGEMENT

The District carries commercial insurance for their risks. These risks are business interruption, property losses, natural disasters and injuries to employees. In the past three years the District did not have any claims that exceeded insurance coverage.

NOTE 7 – RELATED PARTY TRANSACTIONS

The District paid for services on behalf of Larkspur Inc., which the District owned approximately 75% of the shares as of December 31, 2013. The total amount paid by the District in 2013 was $2,125 which as of December 31, 2013 brings the total due from other entities to $25,165.

NOTE 8 - COMMITMENTS

The District has committed to several projects involving water rights and storage. The projects will cover more than a one year period. As of December 31, 2013, the District has committed to projects in excess of $253,500.

Effective April 1, 2012, the District is committed to leasing water from the Board of Water Works of Pueblo, Colorado ("Board"). The District desires to procure 500 acre-feet of raw water each contract year during this agreement from the Board for use in its "Rule 10" plan under the *Compact Rules Governing Improvements to Surface Water Irrigation Systems in the Arkansas River Basin in Colorado*. The District agrees to pay the Board a fee of $196.54 per acre-foot of water so leased, plus any rate increase. The term of agreement is for 5 years with the first annual payment for water due April 1, 2012. Additional annual payments shall be due from the District to the Board on the 1st day of April each year thereafter.

The District shall repay to the State the Grant Funds from the Colorado Water Conservation Board ("CWCB") pertaining to the purchase of a conservation easement and any appreciation in the value of the easement (if any appreciation exists and only in an amount equal to the State's proportionate contribution to the purchase price), if the easement is terminated or extinguished or its material provisions rendered unenforceable due to acts or omissions of the District, its employees, agents, successors or assigns, including, but not limited to, complying with or enforcing the provisions of the easement. If any part of the grant funds were originally received by the State from GOCO, then District shall make repayment to the State if GOCO makes a demand for repayment to CWCB on the grounds set forth in this agreement.

NOTE 9 – NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year ended December 31, 2013, the District adopted GASB Statement Number 65 "*Items Previously Reported as Assets and Liabilities*". The adoption of this standard modified the presentation of items previously reported as assets and liabilities on the government-wide and proprietary statement of net position and on the governmental fund balance sheet. The District's most significant change was that the former deferred property tax liability is now shown as a deferred inflow of resources on both the governmental fund balance sheet and the government-wide statement of net position.

NOTE 10 – SUBSEQUENT EVENT

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON A BUDGETARY BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
TAXES				
REAL PROPERTY TAXES	$ 1,915,500	$ 1,915,500	$ 1,912,248	$ (3,252)
SPECIFIC OWNERSHIP	122,800	122,800	175,237	52,437
INTEREST	13,100	13,100	9,971	(3,129)
TOTAL REVENUES	2,051,400	2,051,400	2,097,456	46,056
EXPENDITURES				
GENERAL GOVERNMENT	2,345,500	2,345,500	1,708,589	636,911
CAPITAL OUTLAY	12,000	12,000	-	12,000
CONTINGENCY	125,000	125,000	-	125,000
TOTAL EXPENDITURES	2,482,500	2,482,500	1,708,589	773,911
REVENUES OVER (UNDER) EXPENDITURES	(431,100)	(431,100)	388,867	819,967
FUND BALANCE JANUARY 1	932,479	932,479	932,479	-
FUND BALANCE DECEMBER 31	$ 501,379	$ 501,379	$ 1,321,346	$ 819,967

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CASH IN BANKS	$ 1,353,838	$ 1,008,606
ACCRUED INTEREST RECEIVABLE	586	586
DEPOSITS	57,343	20,429
DUE FROM OTHER ENTITIES	2,125	-
TAXES RECEIVABLE	1,877,018	1,915,423
TOTAL ASSETS	$ 3,290,910	$ 2,945,044
LIABILITIES		
ACCOUNTS PAYABLE	$ 18,141	$ 28,642
ACCRUED EXPENSES	56,935	48,810
DUE TO ENTERPRISE FUND	17,470	19,690
TOTAL LIABILITIES	92,546	97,142
DEFERRED INFLOWS OF RESOURCES		
DEFERRED REVENUE - PROPERTY TAX	1,877,018	1,915,423
FUND BALANCE		
RESTRICTED FOR EMERGENCIES - TABOR	51,300	59,100
ASSIGNED FOR FUTURE YEARS EXPENDITURES	883,300	441,100
UNASSIGNED	386,746	432,279
TOTAL FUND BALANCE	1,321,346	932,479
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	$ 3,290,910	$ 2,945,044

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
REVENUES		
TAXES	$ 2,087,485	$ 2,071,147
MISCELLANEOUS	9,971	11,958
TOTAL REVENUES	2,097,456	2,083,105
EXPENDITURES		
GENERAL GOVERNMENT	1,708,589	1,972,685
CHANGES IN FUND BALANCE	388,867	110,420
FUND BALANCE JANUARY 1	932,479	822,059
FUND BALANCE DECEMBER 31	$ 1,321,346	$ 932,479

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

WATER ACTIVITY ENTERPRISE FUND

DECEMBER 31, 2013 AND 2012

	2013	2012
CURRENT ASSETS		
CASH	$ 158,558	$ 57,296
WATER INVENTORY	34,948	59,652
PREPAIDS	80,995	79,502
GRANTS RECEIVABLE	3,031	309,676
DUE FROM OTHER ENTITIES	23,040	23,040
DUE FROM GENERAL FUND	17,470	19,690
TOTAL CURRENT ASSETS	318,042	548,856
RESTRICTED ASSETS		
CASH RESTRICTED FOR STEWARDSHIP COSTS	173,398	168,072
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET	127,587	134,276
LAND	32,380	136,524
WATER STOCK	3,907,361	3,982,768
NET CAPITAL ASSETS	4,067,328	4,253,568
INTANGIBLE ASSETS		
CONSERVATION EASEMENTS	15,075,060	14,074,060
TOTAL ASSETS	$ 19,633,828	$ 19,044,556
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	$ 73,820	$ 109,948
UNEARNED REVENUE - WATER LEASES	14,055	4,971
TOTAL CURRENT LIABILITIES	87,875	114,919
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	4,067,328	4,253,568
RESTRICTED	173,398	168,072
UNRESTRICTED	15,305,227	14,507,997
TOTAL NET POSITION	19,545,953	18,929,637
TOTAL LIABILITIES AND NET POSITION	$ 19,633,828	$ 19,044,556

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
WATER LEASING	$ 37,113	$ 28,238
FEES	5,000	5,350
POND STUDY	-	6,022
RULE 10 FEE INCOME	81,050	136,593
MANAGEMENT FEES AND REIMBURSEMENTS	816,014	1,239,987
TOTAL REVENUES	939,177	1,416,190
OPERATING EXPENSES		
WATER LEASES	27,014	2,949
IRRIGATION RULES	92,456	237,007
SUPER DITCH	389,353	360,695
SUPER DITCH PILOT PROGRAM	-	269,350
POND STUDY	46,837	15,500
EASEMENTS	58,277	88,915
NEPA STORAGE	9,426	21,295
WATER QUALITY STUDY	-	2,406
DEPRECIATION	6,689	6,689
STORAGE FEES	77,995	71,995
PERSONNEL	75,032	37,226
WATER ASSESSMENTS	38,629	35,966
RECHARGE POND	2,823	73,950
PROPERTY TAXES	6,571	8,294
OTHER	5,815	6,369
TOTAL OPERATING EXPENSES	836,917	1,238,606
OPERATING INCOME	102,260	177,584
NONOPERATING REVENUES (EXPENSES)		
CONSERVATION EASEMENT CONTRIBUTIONS	460,000	875,000
ENVIRONMENTAL IMPACT STUDY	125,000	125,000
WATER EDUCATION CAMPAIGN REIMBURSEMENT	-	7,755
WATER EDUCATION CAMPAIGN EXPENSES	(3,787)	(12,410)
INTEREST INCOME	538	596
GRANT EXPENSES	(245,221)	(248,434)
GRANT REVENUES	245,221	518,434
ASSISTANCE TO OTHER ENTITIES	(67,695)	(50,000)
OTHER	-	9,906
CHANGE IN NET POSITION	616,316	1,403,431
NET POSITION JANUARY 1	18,929,637	17,526,206
NET POSITION DECEMBER 31	$ 19,545,953	$ 18,929,637

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH RECEIVED FROM CUSTOMERS	$ 132,247	$ 154,404
CASH RECEIVED FROM INTERFUND ACTIVITIES	818,234	1,442,558
CASH PAYMENTS TO EMPLOYEES AND SUPPLIERS	(829,958)	(1,305,809)
NET CASH PROVIDED BY OPERATING ACTIVITIES	120,523	291,153
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
CASH RECEIVED FROM GRANTS	551,866	270,453
CASH PAYMENTS ON GRANTS	(258,408)	(290,503)
CASH RECEIVED FOR WATER EDUCATION CAMPAIGN	-	7,755
CASH PAYMENTS FOR WATER EDUCATION CAMPAIGN	(3,787)	(12,410)
CASH RECEIVED FOR ENVIRONMENTAL IMPACT STUDY	125,000	125,000
CASH PAYMENTS FOR ASSISTANCE TO OTHER ENTITIES	(67,695)	(50,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	346,976	50,295
CASH FLOWS FROM INVESTING ACTIVITIES		
DECREASE IN RESTRICTED CASH	(5,326)	(5,407)
PROCEEDS FROM SALE OF LAND	144	-
WATER STOCK PURCHASES	(593)	(31,108)
PURCHASED CONSERVATION EASEMENT	(361,000)	(406,756)
INTEREST AND OTHER	538	10,501
NET CASH USED IN INVESTING ACTIVITIES	(366,237)	(432,770)
NET CHANGE IN CASH	101,262	(91,322)
CASH BEGINNING OF YEAR	57,296	148,618
CASH END OF YEAR	$ 158,558	$ 57,296
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	$ 102,260	$ 177,584
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	6,689	6,689
CHANGES IN ASSETS AND LIABILITIES		
ACCOUNTS RECEIVABLE	-	(23,040)
WATER INVENTORY	24,704	(11,118)
PREPAIDS	(1,493)	(21,527)
ACCOUNTS PAYABLE	(22,941)	(41,247)
DUE FROM GENERAL FUND	2,220	202,571
DEFERRED REVENUE	9,084	1,241
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 120,523	$ 291,153

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL ON A BUDGETARY BASIS

WATER ACTIVITY ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2013

REVENUES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
WATER LEASING	$ 76,000	$ 76,000	$ 37,113	$ (38,887)
FEES	66,000	66,000	86,050	20,050
MANAGEMENT FEES	1,300,000	1,300,000	816,014	(483,986)
GRANTS AND OTHER	251,000	251,000	370,221	119,221
INTEREST	1,500	1,500	538	(962)
TOTAL REVENUES	1,694,500	1,694,500	1,309,936	(384,564)
EXPENDITURES				
WATER LEASES	50,000	50,000	27,014	22,986
ASSISTANCE TO OTHER ENTITIES	5,000	5,000	67,695	(62,695)
WATER STORAGE FEES	95,000	95,000	77,995	17,005
ARKANSAS IRRIGATION RULES	200,000	200,000	92,456	107,544
SUPER DITCH	550,000	550,000	392,176	157,824
POND STUDY	25,000	25,000	46,837	(21,837)
GRANTS	100,000	100,000	245,221	(145,221)
DEPRECIATION	-	-	6,689	(6,689)
GENERAL AND ADMINISTRATIVE	150,200	150,200	145,695	4,505
WATER ASSESSMENTS AND COSTS	40,000	40,000	38,629	1,371
WATER EDUCATION CAMPAIGN	-	-	3,787	(3,787)
WATER QUALITY STUDY	10,000	10,000	-	10,000
WATER ACQUISITIONS	100,000	100,000	594	99,406
NEPA STORAGE	200,000	200,000	9,426	190,574
PURCHASED CONSERVATION EASEMENT	500,000	500,000	361,000	139,000
TOTAL EXPENDITURES	2,025,200	2,025,200	1,515,214	509,986
	$ (330,700)	$ (330,700)	(205,278)	$ 125,422
NON-BUDGETARY ITEM				
CONSERVATION EASEMENT CONTRIBUTIONS			460,000	
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
WATER STOCK PURCHASES			594	
PURCHASED CONSERVATION EASEMENT			361,000	
CHANGE IN NET POSITION			616,316	
NET POSITION JANUARY 1			18,929,637	
TOTAL NET POSITION DECEMBER 31			$ 19,545,953	

LOWER ARKANSAS VALLEY

WATER CONSERVANCY DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2012

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

TABLE OF CONTENTS

HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS
601 SOUTH EIGHTH STREET
ROCKY FORD, COLORADO 81067

Patrick A. Hancock CPA 719-688-0812
Andrew H. Froese CPA 719-980-1962

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lower Arkansas Valley Water Conservancy District

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Lower Arkansas Valley Water Conservancy District, as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Lower Arkansas Valley Water Conservancy District, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 Lower Arkansas Valley Water Conservancy District's financial statements as a whole. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial statements are the responsibility of management and were 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.

Hancock Froese & Company LLC

HANCOCK FROESE & COMPANY LLC

April 3, 2013

Our discussion and analysis of the Lower Arkansas Valley Water Conservancy District's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2012. This information is presented in conjunction with the audited financial statements that follow this section.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District as prescribed by GASB Statement No. 34.

District-Wide Financial Statements

The district-wide statement consists of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include all assets and liabilities and activities of the District in a manner similar to private sector businesses. The District's net position, the difference between assets and liabilities-is one way to measure the District's financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. In the Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities: governmental activities and business-type activities.

Governmental Activities-The activity of the District's general fund is reported here. Property taxes, specific ownership taxes, and interest income make up the majority of the revenues and general and administration expenditures are the major activities of this fund.

Business-Type Activities-The District manages an enterprise activity, which develops and operates the District's water right assets. The activities of the enterprise fund are supported by management fees from the general fund and water leasing.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are segregated into two categories: governmental funds and proprietary funds.

Governmental Fund-The District's basic services are reported in the governmental fund, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. This fund is reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's projects.

Proprietary Fund-The District maintains one proprietary fund - an enterprise fund. The enterprise fund is reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activity in the government-wide financial statements but provide more detail and additional information. The District uses an enterprise fund to account for its water management operations.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to basic financial statements can be found following the financial statements.

District-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $ 19,887,853 at the end of the current year.

Financial Highlights

The total net assets of the District exceeded its liabilities by $19,887,853. Of this amount $15,381,376 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's net position increased by $1,523,853 during the current year. The net position of our governmental activities increased by $120,422 and net position of our business-type activities increased by $1,403,431.
- As of the close of the current year, the District's governmental activities reported combined ending fund balance of $958,216 an increase of $120,422 in comparison with the prior year balances of $837,794.
- At the end of the current year, unrestricted net position for the governmental activities was $873,379 or 44 percent of total general activities expenses of $1,962,683.

The perspective of the statement of net assets is of the District as a whole. Following is a summary of the District's net position for 2012 and 2011.

Statement of Net Position

2012	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	$ 2,925,354	$ 548,856	$ 3,474,210
Non-Current Assets Restricted	0	163,072	163,072
Total Capital Assets	25,737	4,253,568	4,279,305
Total Intangible Assets	0	14,074,060	14,074,060
TOTAL ASSETS	$ 2,951,091	$ 19,044,556	$ 21,995,647
Liabilities:			
Current Liabilities	$ 1,992,875	$ 114,919	$ 2,107,794
Net Position	958,216	18,929,637	19,887,853
TOTAL LIABILITIES AND NET POSITION	$ 2,951,091	$ 19,044,556	$ 21,995,647

2011	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	$ 2,871,171	$ 539,083	$ 3,410,254
Non-Current Assets Restricted	0	162,665	162,665
Total Capital Assets	15,735	4,229,149	4,244,884
Total Intangible Assets	0	12,792,304	12,792,304
TOTAL ASSETS	$2,886,906	$ 17,723,201	$ 20,610,107
Liabilities:			
Current Liabilities	$ 2,049,112	$ 196,995	$ 2,246,107
Net Position	837,794	17,526,206	18,364,000
TOTAL LIABILITIES AND NET POSITION	$ 2,886,906	$ 17,723,201	$ 20,610,107

Statement of Activities

The change in net position for the governmental activities was $120,422 for the year ended December 31, 2012 and $60,085 for the year ended December 31, 2011. The change in net position for the business-type activities was $1,403,431 for the year ended December 31, 2012 and $383,138 for the year ended December 31, 2011. The perspective of the statement of activities is of the District as a whole.

The following tables reflect the change in net position for the years 2012 and 2011:

2012				CHANGES IN NET POSITION		
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
TOTAL GOVERNMENTAL ACTIVITIES	$ 1,962,683	$ 0	$ 0	$ (1,962,683)	$ 0	$ (1,962,683)
TOTAL BUSINESS-TYPE ACTIVITIES	1,549,450	1,416,190	518,434	0	385,174	385,174
TOTAL PRIMARY GOVERNMENT	$ 3,512,133	$ 1,416,190	$ 518,434	(1,962,683)	385,174	(1,577,509)
TOTAL GENERAL REVENUES AND TRANSFERS				2,083,105	1,018,257	3,101,362
CHANGE IN NET POSITION				$ 120,422	$ 1,403,431	$ 1,523,853

2011				CHANGES IN NET POSITION		
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
TOTAL GOVERNMENTAL ACTIVITIES	$ 1,511,981	$ 0	$ 0	$ (1,511,981)	$ 0	$ (1,511,981)
TOTAL BUSINESS-TYPE ACTIVITIES	1,776,215	643,897	777,784	0	(354,534)	(354,534)
TOTAL PRIMARY GOVERNMENT	$ 3,288,196	$ 643,897	$ 777,784	(1,511,981)	(354,534)	(1,866,515)
TOTAL GENERAL REVENUES AND TRANSFERS				1,572,066	737,672	2,309,738
CHANGE IN NET POSITION				$ 60,085	$ 383,138	$ 443,223

GENERAL FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON GENERAL FUND

Revenues and expenditures budget comparison for year ended December 31, 2012:

2012	Final Budget	Actual
Total Revenues	$ 2,074,400	$ 2,083,105
Total Expenditures	2,118,000	1,972,685
Revenues over (under) Expenditures	(43,600)	110,420
Transfer out	(1,100,000)	0
Fund Balance January 1	822,059	822,059
Fund Balance December 31	(321,541)	932,479

Revenues: Changes between actual revenues and budgeted amounts were mainly due to an increase in specific ownership tax receipts when compared to the budgeted amount.

Expenditures: Changes between actual expenditures and budgeted amounts were due to the overall actual capital outlay and contingency expenditures being less than the budgeted amount.

ENTERPRISE FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON ENTERPRISE FUND

Revenues: Budget comparison for year ended December 31, 2012:

2012				
Revenues:		**Final Budget**		**Actual**
Water Leasing	$	22,000	$	28,238
Fees		61,000		147,965
Management Fees		1,400,000		1,239,987
Grants and Other		413,500		661,094
Interest		1,500		596
Total Revenues	$	1,898,000	$	2,077,880

Changes between actual revenue and budgeted amounts were primarily due to operational changes resulting from water leasing, grants, and management fees.

Expenditures: Budget comparison for year ended December 31, 2012:

2012				
Expenditures:		**Final Budget**		**Actual**
Water Leases	$	50,000	$	2,949
Assistance to Other Entities		5,000		50,000
Water Storage Fees		62,000		71,995
Arkansas Irrigation Rules		80,000		237,007
Super Ditch		175,000		703,995
Pond Study		0		15,500
Grants		265,000		248,434
Depreciation		0		6,689
General and Administrative		133,200		140,804
Water Assessments and Costs		20,000		35,966
Water Education Campaign		25,500		12,410
Water Quality Study		10,000		2,406
Water Acquisitions		1,050,000		31,108
NEPA Storage		250,000		21,295
Total Expenditures	$	2,125,700	$	1,580,558

Changes between actual expenditures and budgeted amounts were primarily due to operational changes.

Capital Activity

The LAVWCD mission is to participate in water-related projects that will embody thoughtful conservation, responsible growth, and beneficial water usage within the Lower Arkansas Valley. One attempt in keeping water in the valley is to purchase water/land with the end result that the water will remain in the valley.

A listing of water rights purchased by the District for 2012 is as follows:

1. Larkspur Inc. water rights — 445.41 shares of water with no land attached

Contacting the District's Financial Management

The financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives.

The District's financial statements are designed to present users (water users, taxpayers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability.

If you have any question regarding this report or need additional information, please contact:

Lower Arkansas Valley Water Conservancy District
Attn: Jay Winner, Executive Director
801 Swink Ave
Rocky Ford, CO 81067
(719) 254-5115 phone **(719) 254-5150 fax**

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CASH AND CASH EQUIVALENTS	$ 1,008,606	$ 57,296	$ 1,065,902
GRANTS RECEIVABLE	-	309,676	309,676
WATER INVENTORY	-	59,652	59,652
DUE FROM OTHER ENTITIES	-	23,040	23,040
DUE FROM OTHER FUND	(19,690)	19,690	-
ACCRUED INTEREST RECEIVABLE	586	-	586
DEPOSITS	20,429	-	20,429
TAXES RECEIVABLE	1,915,423	-	1,915,423
PREPAID WATER LEASES	-	79,502	79,502
	2,925,354	548,856	3,474,210
RESTRICTED ASSETS			
STEWARDSHIP CASH	-	168,072	168,072
CAPITAL ASSETS			
BUILDING AND OTHER - NET	10,002	134,276	144,278
LAND	15,735	136,524	152,259
WATER STOCK	-	3,982,768	3,982,768
NET CAPITAL ASSETS	25,737	4,253,568	4,279,305
INTANGIBLE ASSETS			
CONSERVATION EASEMENTS	-	14,074,060	14,074,060
TOTAL ASSETS	$ 2,951,091	$ 19,044,556	$ 21,995,647
LIABILITIES			
ACCOUNTS PAYABLE	$ 28,642	$ 109,948	$ 138,590
ACCRUED EXPENSES	48,810	-	48,810
DEFERRED REVENUES	1,915,423	4,971	1,920,394
TOTAL LIABILITIES	1,992,875	114,919	2,107,794
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	25,737	4,253,568	4,279,305
RESTRICTED FOR			
EMERGENCIES - TABOR	59,100	-	59,100
STEWARDSHIP COSTS	-	168,072	168,072
UNRESTRICTED	873,379	14,507,997	15,381,376
NET POSITION	958,216	18,929,637	19,887,853
TOTAL LIABILITIES AND NET POSITION	$ 2,951,091	$ 19,044,556	$ 21,995,647

SEE NOTES TO FINANCIAL STATEMENTS

CHANGES IN NET POSITION		
GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
$ (1,962,683)	$ -	$ (1,962,683)
(1,962,683)	-	(1,962,683)
-	385,174	385,174
-	385,174	385,174
(1,962,683)	385,174	(1,577,509)
2,071,147	-	2,071,147
-	125,000	125,000
-	7,755	7,755
-	875,000	875,000
11,958	10,502	22,460
2,083,105	1,018,257	3,101,362
120,422	1,403,431	1,523,853
837,794	17,526,206	18,364,000
$ 958,216	$ 18,929,637	$ 19,887,853

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2012

ASSETS	
CASH IN BANKS	$ 1,008,606
ACCRUED INTEREST RECEIVABLE	586
DEPOSITS	20,429
TAXES RECEIVABLE	1,915,423
TOTAL ASSETS	$ 2,945,044
LIABILITIES	
ACCOUNTS PAYABLE	$ 28,642
ACCRUED EXPENSES	48,810
DUE TO ENTERPRISE FUND	19,690
DEFERRED REVENUES	1,915,423
TOTAL LIABILITIES	2,012,565
FUND BALANCE	
RESTRICTED FOR EMERGENCIES - TABOR	59,100
ASSIGNED FOR FUTURE YEARS EXPENDITURES	441,100
UNASSIGNED	432,279
TOTAL FUND BALANCE	932,479
TOTAL LIABILITIES AND FUND BALANCE	$ 2,945,044

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

TOTAL FUND BALANCE - GOVERNMENTAL FUND		$ 932,479
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN FUNDS.		
THE COST OF THE CAPITAL ASSET IS	25,950	
ACCUMULATED DEPRECIATION IS	(213)	
		25,737
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 958,216

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2012

REVENUES	
TAXES	$ 2,071,147
MISCELLANEOUS	11,958
TOTAL REVENUES	2,083,105
EXPENDITURES	
GENERAL GOVERNMENT	1,972,685
REVENUES OVER EXPENDITURES	110,420
FUND BALANCE JANUARY 1	822,059
FUND BALANCE DECEMBER 31	$ 932,479

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

NET CHANGE IN FUND BALANCE		$ 110,420
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE. THIS IS THE AMOUNT BY WHICH CAPITAL OUTLAY EXCEEDED DEPRECIATION IN THE CURRENT PERIOD.		
CAPITAL OUTLAY	10,215	
DEPRECIATION EXPENSE	(213)	
		10,002
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 120,422

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

DECEMBER 31, 2012

CURRENT ASSETS		
CASH	$	57,296
WATER INVENTORY		59,652
GRANTS RECEIVABLE		309,676
DUE FROM OTHER ENTITIES		23,040
DUE FROM GENERAL FUND		19,690
PREPAIDS		79,502
TOTAL CURRENT ASSETS		548,856
RESTRICTED ASSETS		
CASH RESTRICTED FOR STEWARDSHIP COSTS		168,072
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET		134,276
LAND		136,524
WATER STOCK		3,982,768
NET CAPITAL ASSETS		4,253,568
INTANGIBLE ASSETS		
CONSERVATION EASEMENTS		14,074,060
TOTAL ASSETS	$	19,044,556
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	$	109,948
DEFERRED REVENUE		4,971
TOTAL CURRENT LIABILITIES		114,919
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS		4,253,568
RESTRICTED		168,072
UNRESTRICTED		14,507,997
TOTAL NET POSITION		18,929,637
TOTAL LIABILITIES AND NET POSITION	$	19,044,556

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2012

OPERATING REVENUES		
WATER LEASING	$	28,238
FEES		5,350
POND STUDY		6,022
RULE 10 FEE INCOME		136,593
MANAGEMENT FEES AND REIMBURSEMENTS		1,239,987
TOTAL REVENUES		1,416,190
OPERATING EXPENSES		
WATER LEASES		2,949
IRRIGATION RULES		237,007
SUPER DITCH		360,695
SUPER DITCH PILOT PROGRAM		269,350
POND STUDY		15,500
EASEMENTS		88,915
NEPA STORAGE		21,295
WATER QUALITY STUDY		2,406
DEPRECIATION		6,689
STORAGE FEES		71,995
PERSONNEL		37,226
WATER ASSESSMENTS		35,966
RECHARGE POND		73,950
PROPERTY TAXES		8,294
OTHER		6,369
TOTAL OPERATING EXPENSES		1,238,606
OPERATING INCOME		177,584
NONOPERATING REVENUES (EXPENSES)		
CONSERVATION EASEMENT CONTRIBUTIONS		875,000
ENVIRONMENTAL IMPACT STUDY		125,000
WATER EDUCATION CAMPAIGN REIMBURSEMENT		7,755
WATER EDUCATION CAMPAIGN EXPENSES		(12,410)
INTEREST INCOME		596
GRANT EXPENSES		(248,434)
GRANT REVENUES		518,434
ASSISTANCE TO OTHER ENTITIES		(50,000)
OTHER		9,906
CHANGE IN NET POSITION		1,403,431
NET POSITION JANUARY 1		17,526,206
NET POSITION DECEMBER 31	$	18,929,637

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM CUSTOMERS	$ 154,404
CASH RECEIVED FROM INTERFUND ACTIVITIES	1,442,558
CASH PAYMENTS TO EMPLOYEES AND SUPPLIERS	(1,305,809)
NET CASH PROVIDED BY OPERATING ACTIVITIES	291,153
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
CASH RECEIVED FROM GRANTS	270,453
CASH PAYMENTS ON GRANTS	(290,503)
CASH RECEIVED FOR WATER EDUCATION CAMPAIGN	7,755
CASH PAYMENTS FOR WATER EDUCATION CAMPAIGN	(12,410)
CASH RECEIVED FOR ENVIRONMENTAL IMPACT STUDY	125,000
CASH PAYMENTS FOR ASSISTANCE TO OTHER ENTITIES	(50,000)
NET CASH PROVIDED BY NONCAPITAL ACTIVITIES	50,295
CASH FLOWS FROM INVESTING ACTIVITIES	
INCREASE IN RESTRICTED CASH	(5,407)
WATER STOCK PURCHASES	(31,108)
PURCHASED CONSERVATION EASEMENT	(406,756)
INTEREST AND OTHER	10,501
NET CASH USED IN INVESTING ACTIVITIES	(432,770)
NET CHANGE IN CASH	(91,322)
CASH BEGINNING OF YEAR	148,618
CASH END OF YEAR	$ 57,296
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME	$ 177,584
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
DEPRECIATION	6,689
CHANGES IN ASSETS AND LIABILITIES	
ACCOUNTS RECEIVABLE	(23,040)
WATER INVENTORY	(11,118)
PREPAIDS	(21,527)
ACCOUNTS PAYABLE	(41,247)
DUE FROM GENERAL FUND	202,571
DEFERRED REVENUE	1,241
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 291,153

SEE NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lower Arkansas Valley Water Conservancy District (the "District") was formed pursuant to Colorado Revised Statutes and as decreed by the District Court in and for Pueblo County, in 2002. The Court appoints a seven member Board of Directors to act as the governing authority. The mission of the District is to acquire, retain, and conserve native water flowing in the Arkansas River and its tributaries in the five counties comprising the District. The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The District's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial reporting Entity*" amended by GASB Statement No. 39, describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

The District is not included in any other governmental "reporting entity" as defined in GASB Statement No. 14. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the District (the primary government) and its component units, if applicable. Currently no component units have been included in the District's reporting entity because of a lack of significant operational or financial relationship with the District.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*" which amended GASB Statement No. 14 to clarify the reporting of equity interests in legally separate organizations. GASB Statement No. 61 is effective for financial statements for periods beginning after June 15, 2012. If a government owns a majority of the equity interest in a legally separate organization (for example, through acquisition of its voting stock) and the government's intent for owning the equity interest is not directly to enhance its ability to provide governmental services it should report the equity interest as an investment. As of December 31, 2012, the Lower Arkansas Valley Water Conservancy District owned 14,188.10 shares or approximately 75% of Larkspur Inc. The Larkspur Inc. is a mutual irrigation company that provides for the storage and distribution of irrigation water for the mutual benefit of its stockholders.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the governmental and proprietary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property and specific ownership taxes, interest revenues, and charges for services are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and entitlement awards are recorded as revenue when earned. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received.

The District has the following major funds:
Governmental Fund - The general fund is the general operation fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund - The Enterprise Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise fund are composed of water and water stock sales, leasing activities, management fees and reimbursements. Operating expenses for the enterprise fund include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The enterprise fund accounts for transactions that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through charges.

Encumbrances
Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because at the present time it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Budgets and Budgetary Accounting
The District adheres to the following procedures in establishing budgeting data reflected in the financial statements:

Public hearings are held to obtain taxpayer comment

Prior to December 31, the budget is adopted by formal resolution.

Revisions that alter the total expenditures of any fund generally must be approved by the Board of Directors.

Appropriations lapse at year end and any open purchase items must be reappropriated in the following year.

Expenditures may not legally exceed appropriations at the fund level.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the District considers all highly liquid investments (excluding restricted assets) with a maturity of six months or less when purchased to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash
The District chose to treat their restricted cash and cash equivalents as investments. Accordingly the restricted cash and cash equivalents are treated as investing activities in the statement of cash flows.

Water Inventory
The water inventory is carried at the lower of cost or market, with cost determined using the expenses involved in acquiring water held in storage.

Capital Assets
Capital assets, which include water stocks, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The monetary threshold for capitalization of assets is $5,000. The District's depreciable capital assets currently consist of assets being depreciated over 10 - 40 years.

Water Stocks
Water stocks represent an investment in stocks that the District has purchased in canal and reservoir companies in the area served by the District. The water stocks are recorded at cost. Based on the fact that the water stocks have a perpetual life and a decrease in value is remote, depreciation is not recognized.

Intangible Assets
Intangible assets represent conservation easements that were donated by the landowners or purchased by the District. In 2010, the District implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* Under GASB Statement No. 51, easements are capitalized if donated by the landowners or purchased by the District. The District recognizes contribution easement revenue from donated conservation easements as the difference between the appraised value before the donated conservation easement and the appraised value after the donated conservation easement. The District records the easements using an indefinite useful life since there is no legal, contractual, regulatory, technological, or other factors that limit the useful life of the easements. Due to the indefinite useful life of the easements recorded, they are not amortized.

Water Leases
The right to use water from certain canal companies and reservoirs in the area is leased from the stockholders of these entities for a period designated in the leases. The District in turn rents the right to the water to individuals or entities that wish to use the water for a fee. The lease is amortized into expense over the term of the lease, usually one year. The revenue from the use of the water is recognized as earned based on the terms of the lease.

Receivables/Payables
Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Compensated Absences
The District recognizes the accrual in the general fund in that it is expected that the liability will be liquidated with expendable available financial resources.

Property Tax Revenues Recognition
Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied December 15 and are due and payable in full by April 30 or in two equal installments due February 28 and June 15 of the ensuing year to the County Treasurers, and are recorded as revenue in the year for which they are levied. Accordingly, the taxes receivable are for the next year and are recorded as deferred revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position / Fund Balance
In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net investment in capital assets – This amount consists of capital assets, net of accumulated depreciation, reduced by outstanding debt, if applicable, attributed to the acquisition, construction, or improvement of those assets.

Restricted net position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted net position – This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position"

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, followed by committed fund balance, assigned fund balance and unassigned fund balance.

Restricted Balances
Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. A portion of the fund balance has been restricted in compliance with this requirement.

The net assets of the proprietary fund have been restricted for cash that is held in a restricted account. The cash may only be used to pay for stewardship costs incurred in complying with easement requirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plan

The District participates in a simple IRA plan that covers the employees of the District. Participation in the plan is available to both full and part time employees who work at least 1,000 hours per year and are 21 years old after one year of full time service. The District matches 100% up to 3% of the employee's contribution into this plan. If the employee makes no contributions, the District contributes 2% of eligible employee's annual salary into the plan. The expense was $8,394 for the year ended December 31, 2012.

Estimates

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

NOTE 2 - CASH AND TEMPORARY CASH INVESTMENTS

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial credit risk in 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. The following shows the custodial risk of the District.

Deposits at December 31, 2012, had a bank balance of $1,303,334 and a corresponding carrying balance as follows:

Insured Deposits	$ 844,860
Covered by Public Deposit Protection Act	388,814
Petty Cash	300
	$ 1,233,974

Cash is reported as follows:	
Cash and Cash Equivalents	$ 1,065,902
Restricted Cash	168,072
	$ 1,233,974

NOTE 3 – PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Taxes receivable represents 2012 property tax assessments, which are due in 2013. Deferred revenue in the same amount has also been recognized.

NOTE 4 – CAPITAL ASSETS

Primary Government:
Capital Assets Not Being Depreciated:

	Beginning	Increases	Decreases	Ending
Water Stock	$ 3,951,660	$ 31,108	$ -	$ 3,982,768
Land	152,259	-	-	152,259
Total	$ 4,103,919	$ 31,108	$ -	$ 4,135,027

Capital Assets Being Depreciated:

	Beginning	Increases	Decreases	Ending
Building and Other	$ 171,891	$ 10,215	$ -	$ 182,106
Accumulated Depreciation	(30,926)	(6,902)	-	(37,828)
Total	$ 140,965	$ 3,313	$ -	$ 144,278
Total Capital Assets	$ 4,244,884	$ 34,421	$ -	$ 4,279,305

Depreciation expense of $213 was charged to general government in the governmental activities and $6,689 to water conservation in the business-type activities.

NOTE 5 - AMENDMENT ONE

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 entity's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

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

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property, sales, fund transfers, damage awards, and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

The Amendment requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service). Emergency reserves have been presented as a reservation of fund balance in the general funds. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 5 - AMENDMENT ONE (Continued)

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment in order to determine its compliance.

NOTE 6 – RISK MANAGEMENT

The District carries commercial insurance for their risks. These risks are business interruption, property losses, natural disasters and injuries to employees. In the past three years the District did not have any claims that exceeded insurance coverage.

NOTE 7 – RELATED PARTY TRANSACTIONS

The District paid for services on behalf of Larkspur Inc., which the District owned approximately 75% of the shares as of December 31, 2012. The total amount reimbursed was $23,040, of which $23,040 was due at December 31, 2012 and recorded as due from other entities.

NOTE 8 - COMMITMENTS

The District has committed to several projects involving water rights and storage. The projects will cover more than a one year period. As of December 31, 2012, the District has committed to projects in excess of $379,000.

Effective April 1, 2012, the District is committed to lease water from the Board of Water Works of Pueblo, Colorado ("Board"). The District desires to procure 500 acre-feet of raw water each contract year during this agreement from the Board for use in its "Rule 10" plan under the *Compact Rules Governing Improvements to Surface Water Irrigation Systems in the Arkansas River Basin in Colorado*. The District agrees to pay the Board a fee of $196.54 per acre-foot of water so leased, plus any rate increase. The term of agreement is for 5 years with the first annual payment for water due April 1, 2012. Additional annual payments shall be due from the District to the Board on the 1st day of April each year thereafter.

The District shall repay to the State the Grant Funds from the Colorado Water Conservation Board ("CWCB") pertaining to the purchase of a conservation easement and any appreciation in the value of the easement (if any appreciation exists and only in an amount equal to the State's proportionate contribution to the purchase price), if the easement is terminated or extinguished or its material provisions rendered unenforceable due to acts or omissions of the District, its employees, agents, successors or assigns, including, but not limited to, complying with or enforcing the provisions of the easement. If any part of the grant funds were originally received by the State from GOCO, then District shall make repayment to the State if GOCO makes a demand for repayment to CWCB on the grounds set forth in this agreement.

NOTE 9 – SUBSEQUENT EVENT

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON A BUDGETARY BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
TAXES				
REAL PROPERTY TAXES	$ 1,945,700	$ 1,945,700	$ 1,895,112	$ (50,588)
SPECIFIC OWNERSHIP	115,600	115,600	176,035	60,435
INTEREST	13,100	13,100	11,958	(1,142)
TOTAL REVENUES	2,074,400	2,074,400	2,083,105	8,705
EXPENDITURES				
GENERAL GOVERNMENT	1,970,000	1,970,000	1,972,685	(2,685)
CAPITAL OUTLAY	20,000	20,000	-	20,000
CONTINGENCY	128,000	128,000	-	128,000
TOTAL EXPENDITURES	2,118,000	2,118,000	1,972,685	145,315
REVENUES OVER (UNDER) EXPENDITURES	(43,600)	(43,600)	110,420	154,020
OTHER FINANCING SOURCES (USES)				
TRANSFER OUT	(1,100,000)	(1,100,000)	-	1,100,000
REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	(1,143,600)	(1,143,600)	110,420	1,254,020
FUND BALANCE JANUARY 1	822,059	822,059	822,059	-
FUND BALANCE DECEMBER 31	$ (321,541)	$ (321,541)	$ 932,479	$ 1,254,020

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
CASH IN BANKS	$ 1,008,606	$ 1,124,730
ACCRUED INTEREST RECEIVABLE	586	586
DEPOSITS	20,429	22,434
TAXES RECEIVABLE	1,915,423	1,945,682
TOTAL ASSETS	$ 2,945,044	$ 3,093,432
LIABILITIES		
ACCOUNTS PAYABLE	$ 28,642	$ 45,152
ACCRUED EXPENSES	48,810	58,278
DUE TO ENTERPRISE FUND	19,690	222,261
DEFERRED REVENUES	1,915,423	1,945,682
TOTAL LIABILITIES	2,012,565	2,271,373
FUND BALANCE		
RESTRICTED FOR EMERGENCIES - TABOR	59,100	45,300
ASSIGNED FOR FUTURE YEARS EXPENDITURES	441,100	776,759
UNASSIGNED	432,279	-
TOTAL FUND BALANCE	932,479	822,059
TOTAL LIABILITIES AND FUND BALANCE	$ 2,945,044	$ 3,093,432

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
REVENUES		
TAXES	$ 2,071,147	$ 2,109,150
MISCELLANEOUS	11,958	12,916
TOTAL REVENUES	2,083,105	2,122,066
EXPENDITURES		
GENERAL GOVERNMENT	1,972,685	1,511,981
REVENUES OVER EXPENDITURES	110,420	610,085
OTHER FINANCING SOURCES (USES)		
TRANSFER OUT	-	(550,000)
REVENUES OVER EXPENDITURES AND OTHER SOURCES	110,420	60,085
FUND BALANCE JANUARY 1	822,059	761,974
FUND BALANCE DECEMBER 31	$ 932,479	$ 822,059

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

ENTERPRISE FUND

DECEMBER 31, 2012 AND 2011

	2012	2011
CURRENT ASSETS		
CASH	$ 57,296	$ 148,618
WATER INVENTORY	59,652	48,534
PREPAIDS	79,502	57,975
GRANTS RECEIVABLE	309,676	61,695
DUE FROM OTHER ENTITIES	23,040	-
DUE FROM GENERAL FUND	19,690	222,261
TOTAL CURRENT ASSETS	548,856	539,083
RESTRICTED ASSETS		
CASH RESTRICTED FOR STEWARDSHIP COSTS	168,072	162,665
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET	134,276	140,965
LAND	136,524	136,524
WATER STOCK	3,982,768	3,951,660
NET CAPITAL ASSETS	4,253,568	4,229,149
INTANGIBLE ASSETS		
CONSERVATION EASEMENTS	14,074,060	12,792,304
TOTAL ASSETS	$ 19,044,556	$ 17,723,201
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	$ 109,948	$ 193,265
DEFERRED REVENUE	4,971	3,730
TOTAL CURRENT LIABILITIES	114,919	196,995
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	4,253,568	4,229,149
RESTRICTED	168,072	162,665
UNRESTRICTED	14,507,997	13,134,392
TOTAL NET POSITION	18,929,637	17,526,206
TOTAL LIABILITIES AND NET POSITION	$ 19,044,556	$ 17,723,201

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
WATER LEASING	$ 28,238	$ 25,256
FEES	5,350	700
POND STUDY	6,022	19,648
RULE 10 FEE INCOME	136,593	56,706
MANAGEMENT FEES AND REIMBURSEMENTS	1,239,987	541,587
TOTAL REVENUES	1,416,190	643,897
OPERATING EXPENSES		
WATER LEASES	2,949	5,737
MAINTENANCE	-	15,458
IRRIGATION RULES	237,007	15,383
SUPER DITCH	360,695	320,519
SUPER DITCH PILOT PROGRAM	269,350	-
POND STUDY	15,500	51,872
EASEMENTS	88,915	19,204
NEPA STORAGE	21,295	379,437
WATER COSTS	-	5,322
WATER QUALITY STUDY	2,406	5,271
DEPRECIATION	6,689	6,689
STORAGE FEES	71,995	55,475
PERSONNEL	37,226	70,289
WATER ASSESSMENTS	35,966	12,803
RECHARGE POND	73,950	-
PROPERTY TAXES	8,294	5,227
OTHER	6,369	16,929
TOTAL OPERATING EXPENSES	1,238,606	985,615
OPERATING INCOME (LOSS)	177,584	(341,718)
NONOPERATING REVENUES (EXPENSES)		
CONSERVATION EASEMENT CONTRIBUTIONS	875,000	-
ENVIRONMENTAL IMPACT STUDY	125,000	125,000
WATER EDUCATION CAMPAIGN REIMBURSEMENT	7,755	7,000
WATER EDUCATION CAMPAIGN EXPENSES	(12,410)	(12,816)
INTEREST INCOME	596	580
GRANT EXPENSES	(248,434)	(777,784)
GRANT REVENUES	518,434	777,784
GAIN ON SALE OF WATER STOCK	-	50,000
ASSISTANCE TO OTHER ENTITIES	(50,000)	-
OTHER	9,906	5,092
INCOME (LOSS) BEFORE TRANSFER	1,403,431	(166,862)
TRANSFER IN	-	550,000
CHANGE IN NET POSITION	1,403,431	383,138
NET POSITION JANUARY 1	17,526,206	17,143,068
NET POSITION DECEMBER 31	$ 18,929,637	$ 17,526,206

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH RECEIVED FROM CUSTOMERS	$ 154,404	$ 92,011
CASH RECEIVED FROM INTERFUND ACTIVITIES	1,442,558	271,204
CASH PAYMENTS TO EMPLOYEES AND SUPPLIERS	(1,305,809)	(881,258)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	291,153	(518,043)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
CASH RECEIVED FROM GRANTS	270,453	805,890
CASH PAYMENTS ON GRANTS	(290,503)	(806,552)
CASH RECEIVED FOR WATER EDUCATION CAMPAIGN	7,755	7,000
CASH PAYMENTS FOR WATER EDUCATION CAMPAIGN	(12,410)	(12,816)
CASH RECEIVED FOR ENVIRONMENTAL IMPACT STUDY	125,000	125,000
CASH PAYMENTS FOR ASSISTANCE TO OTHER ENTITIES	(50,000)	-
TRANSFER IN	-	550,000
NET CASH PROVIDED BY NONCAPITAL ACTIVITIES	50,295	668,522
CASH FLOWS FROM INVESTING ACTIVITIES		
INCREASE IN RESTRICTED CASH	(5,407)	(396)
PROCEEDS FROM SALE OF WATER STOCK	-	100,000
WATER STOCK PURCHASES	(31,108)	(111,872)
PURCHASED CONSERVATION EASEMENT	(406,756)	-
INTEREST AND OTHER	10,501	5,672
NET CASH USED IN INVESTING ACTIVITIES	(432,770)	(6,596)
NET CHANGE IN CASH	(91,322)	143,883
CASH BEGINNING OF YEAR	148,618	4,735
CASH END OF YEAR	$ 57,296	$ 148,618
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	$ 177,584	$ (341,718)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
DEPRECIATION	6,689	6,689
CHANGES IN ASSETS AND LIABILITIES		
ACCOUNTS RECEIVABLE	(23,040)	1,215
WATER INVENTORY	(11,118)	5,322
PREPAIDS	(21,527)	(5,000)
ACCOUNTS PAYABLE	(41,247)	97,346
DUE (TO) FROM GENERAL FUND	202,571	(270,383)
DEFERRED REVENUE	1,241	(11,514)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 291,153	$ (518,043)

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL ON A BUDGETARY BASIS

ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
WATER LEASING	$ 22,000	$ 22,000	$ 28,238	$ 6,238
FEES	61,000	61,000	147,965	86,965
MANAGEMENT FEES	1,400,000	1,400,000	1,239,987	(160,013)
GRANTS AND OTHER	413,500	413,500	661,095	247,595
INTEREST	1,500	1,500	596	(904)
TOTAL REVENUES	1,898,000	1,898,000	2,077,881	179,881
EXPENDITURES				
WATER LEASES	50,000	50,000	2,949	47,051
ASSISTANCE TO OTHER ENTITIES	5,000	5,000	50,000	(45,000)
WATER STORAGE FEES	62,000	62,000	71,995	(9,995)
ARKANSAS IRRIGATION RULES	80,000	80,000	237,007	(157,007)
SUPER DITCH	175,000	175,000	703,995	(528,995)
POND STUDY	-	-	15,500	(15,500)
GRANTS	265,000	265,000	248,434	16,566
DEPRECIATION	-	-	6,689	(6,689)
GENERAL AND ADMINISTRATIVE	133,200	133,200	140,804	(7,604)
WATER ASSESSMENTS AND COSTS	20,000	20,000	35,966	(15,966)
WATER EDUCATION CAMPAIGN	25,500	25,500	12,410	13,090
WATER QUALITY STUDY	10,000	10,000	2,406	7,594
WATER ACQUISITIONS	1,050,000	1,050,000	31,108	1,018,892
NEPA STORAGE	250,000	250,000	21,295	228,705
TOTAL EXPENDITURES	2,125,700	2,125,700	1,580,558	545,142
	$ (227,700)	$ (227,700)	497,323	$ 725,023
NON-BUDGETARY ITEM				
CONSERVATION EASEMENT CONTRIBUTIONS			875,000	
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
WATER STOCK PURCHASES			31,108	
CHANGE IN NET POSITION			1,403,431	
NET POSITION JANUARY 1			17,526,206	
TOTAL NET POSITION DECEMBER 31			$ 18,929,637	

Incorporated under the Laws of the State of Colorado

NUMBER 8468

-40- SHARES

THE TWIN LAKES RESERVOIR AND CANAL COMPANY

COMMON CAPITAL STOCK $495,889.65

NUMBER OF SHARES OF COMMON STOCK 49,588.965

This is to Certify that THE LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT is the owner of ----------FORTY---------- Shares of the Common Capital Stock of The Twin Lakes Reservoir and Canal Company, fully paid up and is transferable only on the books of the Company in person or by Attorney on surrender of this Certificate properly endorsed

This Certificate is issued and accepted, and the same is held subject to the Articles of Incorporation and By Laws of said Company and the laws under which the same is organized; and is issued subject to assessments as authorized by law and provided by said Articles of Incorporation and By Laws.

In Witness Whereof the President and Secretary have hereunto attached their signatures and caused the seal of the Company to be affixed at Ordway, Colorado this 10th day of December A. D. ~~XX~~ 2003

The Twin Lakes Reservoir and Canal Company

Attest Shirley A. Muth
Asst. Secretary

By Philip Clatt
President

Incorporated under the Laws of the State of Colorado

NUMBER 8492

-32- SHARES

THE TWIN LAKES RESERVOIR AND CANAL COMPANY

COMMON
CAPITAL STOCK
$495,889.65

NUMBER OF SHARES
OF COMMON STOCK
49,583.965

This is to Certify that LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT *is the owner of* ----------------------------THIRTY-TWO---------------------- *Shares of the Common Capital Stock of The Twin Lakes Reservoir and Canal Company, fully paid up, and is transferable only on the books of the Company in person or by Attorney on surrender of this Certificate properly endorsed.*

This Certificate is issued and accepted, and the same is held subject to the Articles of Incorporation and By Laws of said Company and the laws under which the same is organized; and is issued subject to assessments as authorized by law and provided by said Articles of Incorporation and By Laws.

In Witness Whereof the President and Secretary *have hereunto attached their signatures and caused the seal of the Company to be affixed at Ordway, Colorado this* 13th *day of* April *A. D.* ~~19~~ 2005

The Twin Lakes Reservoir and Canal Company

Attest [signature] *Secretary*

By Robert M. Roble *President*

Incorporated under the Laws of the State of Colorado

NUMBER 8497

-13- SHARES

THE TWIN LAKES RESERVOIR AND CANAL COMPANY

COMMON
CAPITAL STOCK
$495,889.65

NUMBER OF SHARES
OF COMMON STOCK
49,588.965

This is to Certify that LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT *is the owner of* ----------THIRTEEN---------- *Shares of the Common Capital Stock of The Twin Lakes Reservoir and Canal Company, fully paid up, and is transferable only on the books of the Company in person or by Attorney on surrender of this Certificate properly endorsed.*

This Certificate is issued and accepted, and the same is held subject to the Articles of Incorporation and By Laws of said Company and the laws under which the same is organized; and is issued subject to assessments as authorized by law and provided by said Articles of Incorporation and By Laws.

In Witness Whereof the President and Secretary have hereunto attached their signatures and caused the seal of the Company to be affixed at Ordway, Colorado this 13th *day of* July *A. D.* 2005

The Twin Lakes Reservoir and Canal Company

Attest Shirley A. Muth
Asst Secretary

By Robert M. Rabb
President

Incorporated under the Laws of the State of Colorado

NUMBER 8531

3.34 SHARES

THE TWIN LAKES RESERVOIR AND CANAL COMPANY

COMMON
CAPITAL STOCK
$495,889.65

NUMBER OF SHARES
OF COMMON STOCK
49,588.965

This is to Certify that LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT is the owner of ------------------THREE and 34/100--------------------- Shares of the Common Capital Stock of The Twin Lakes Reservoir and Canal Company, fully paid up, and is transferable only on the books of the Company in person or by Attorney, on surrender of this Certificate properly endorsed.

This Certificate is issued and accepted, and the same is held subject to the Articles of Incorporation and By Laws of said Company, and the laws under which the same is organized; and is issued subject to assessments as authorized by law and provided by said Articles of Incorporation and By Laws.

In Witness Whereof, the President and Secretary have hereunto attached their signatures and caused the seal of the Company to be affixed at Ordway, Colorado this 9th day of November A. D. 2006

The Twin Lakes Reservoir and Canal Company

Attest [signature] Secretary

By [signature] President

Incorporated under the Laws of the State of Colorado

NUMBER 8563

SHARES

THE TWIN LAKES RESERVOIR AND CANAL COMPANY

COMMON
CAPITAL STOCK
$495,889.65

NUMBER OF SHARES
OF COMMON STOCK
49,588.965

This is to Certify that **Lower Arkansas Valley Water Conservancy District** *is the owner of* --------------- Two and 00/100 --------------- *Shares of the Common Capital Stock of The Twin Lakes Reservoir and Canal Company, fully paid up, and is transferable only on the books of the Company in person or by Attorney on surrender of this Certificate properly endorsed.*

This Certificate is issued and accepted, and the same is held subject to the Articles of Incorporation and By Laws of said Company, and the laws under which the same is organized; and is issued subject to assessments as authorized by law and provided by said Articles of Incorporation and By Laws.

In Witness Whereof the President and Secretary have hereunto attached their signatures and caused the seal of the Company to be affixed at Ordway, Colorado this 13th *day of* March *A. D.* ~~19XX~~ 2008

The Twin Lakes Reservoir and Canal Company

Attest [signature]
Secretary

By [signature]
President

Incorporated under the Laws of the State of Colorado

NUMBER 8595

SHARES

The Twin Lakes Reservoir and Canal Company

COMMON CAPITAL STOCK
$495,889.65

NUMBER OF SHARES OF COMMON STOCK
49,588.965

This is to Certify that Lower Arkansas Valley Water Conservancy District *is the owner of* ----------- One ----------- *Shares of the Common Capital Stock of The Twin Lakes Reservoir and Canal Company, fully paid up, and is transferable only on the books of the Company in person or by Attorney on surrender of this Certificate properly endorsed.*

This Certificate is issued and accepted, and the same is held subject to the Articles of Incorporation and By Laws of said Company, and the laws under which the same is organized; and is issued subject to assessments as authorized by law and provided by said Articles of Incorporation and By Laws.

In Witness Whereof the President and Secretary *have hereunto attached their signatures and caused the seal of the Company to be affixed at Ordway, Colorado this* 21st *day of* October *A. D.* ~~19~~2008

The Twin Lakes Reservoir and Canal Company

Attest ______________________ *Secretary*

By ______________________ *President*

Trout, Raley, Montaño,
Witwer & Freeman, P.C.

Attorneys at Law
1120 Lincoln Street • Suite 1600
Denver, Colorado 80203-2141
(303) 861-1963 • Fax (303) 832-4465
www.troutlaw.com
Direct: 303-339-5825
pnichols@troutlaw.com

Privileged and Confidential Attorney Work Product

To: John Singletary, Chairman of the Board of Directors
Melissa Esquibel, Chair, Legal Committee of the Board of Directors
Lower Arkansas Valley Water Conservancy District

From: Trout, Raley, Montaño, Witwer & Freeman, P.C.

Date: September 19, 2006; Revised October 16, 2006; Revised March 3, 2007

Re: TABOR

Under TABOR, districts are generally subject to a ban on any "tax rate increase, or mill levy increase above that for the prior year" unless approved by the district's electorate. Colo. Const. Art. X, § 20(4)(a). In addition, revenue increases and fiscal year spending above the prior year are generally capped by inflation and local growth. Colo. Const. Art. X, § 20 (7)(b) and (c).

This memorandum responds to the Lower Arkansas Valley Water Conservancy District's ("LAVWCD" or "District") request for us to review the District's fiscal activities with regard to TABOR. The applicability of TABOR is analyzed separately for property taxes, fiscal year spending, and enterprise activities because the limitations differ, as explained below.

EXECUTIVE SUMMARY

The collection and expenditure of revenue generated by the imposition of a 1.5 mill levy on the taxable real property within the District is not subject to TABOR limits for 30 years from the election approving the creation of the LAVWCD and imposition of such taxes.

Receipts from specific ownership taxes are subject to TABOR fiscal year spending limits. The LAVWCD must refund any receipts in excess of allowable increases, which could be done through a reduction in the mill levy. Through 2006, the District's receipts did not exceed fiscal year spending limits and no refunds were required.

The LAVWCD should restructure its Enterprise and recategorize LAVWCD revenues (except real property and specific ownership taxes) to go to the Enterprise Fund in compliance with TABOR. Specifically, the LAVWCD should assign its assets to the Enterprise for management. The Enterprise Fund can receive revenues from leasing and for managing the LAVWCD's assets, which can defray many, if not all, of the Enterprise's expenses. In addition, the LAVWCD can use its TABOR-exempt real property tax revenues to reimburse the Enterprise for expenses incurred in managing the District's assets. At the end of the assignments, the LAVWCD can renew them.

The above recommendations were implemented prior to the end of 2006.

I. VOTER-APPROVED AUTHORITY FOR PROPERTY TAXES

Question presented. Did voter approval of the collection of a 1.5 mill levy on all taxable real property allow the District to retain and expend all such property tax revenue and associated interest for 30 years?

Short answer. Voter approval of the collection of a 1.5 mill levy on all taxable real property authorized the District to retain and expend all such property tax revenues and associated interest for 30 years.

A. District Ballot Language

The ballot measure approving the creation of the District read as follows:

> Shall a water conservancy district be formed coincident with the boundaries of Bent, Crowley, Otero, Prowers, and Pueblo Counties, to be called the Lower Arkansas Valley Water Conservancy District, which District may levy a 1.5 mill tax on all taxable real property within its boundaries each year for a period of 30 years in order to protect and enhance the water resources of the Lower Arkansas Valley to sustain agriculture and benefit the future of the area's economy and keep water in the area's streams for fish and wildlife habitat; and shall taxes be increased for the purposes of forming the Lower Arkansas Valley Water Conservancy District by $1,914,765 in 2003 and by whatever additional amounts are raised annually thereafter?

Case No. 02CV293, at ¶ 4 (Pueblo County Dist. Sept. 9, 2002). The court decree establishing the District accordingly provided as follows:

> That the District is authorized to collect a 1.5 mill levy on all taxable real property within the District as of January 1, 2002 for a thirty-year period.

Id.

B. Analysis: Voter-approved Revenues are exempt from TABOR.

Case law interpreting TABOR has illuminated two categories of revenue that are excluded from the fiscal year spending limitations, including voter-approved revenue changes. Section (7)(d) of TABOR provides that "voter-approved revenue changes are dollar amounts that are exceptions to, and not part of, any . . . base." The meaning of this provision was at issue in Nicholl v. E-470 Public Highway Authority, 896 P.2d 859 (Colo. 1995), where the Colorado Supreme Court addressed the applicability of the fiscal year spending and revenue limitations to the E-470 Highway Authority's collection and expenditure of revenues. The Supreme Court held that under section (7)(d) "voter-approved revenue changes" are excluded from fiscal year spending:

> The full text of this exception reads: "Debt service changes, reductions [excess revenue] refunds, and voter-approved revenue changes are dollar amounts that are exceptions to, and not part of, any district base." Colo. Const. Art. X, § 20(7)(d). The term "base" in this context refers to the prior year's fiscal year spending, since the prior year's spending acts as the "base" for determining allowable spending the following year. These dollar amounts must be excluded in "fiscal year spending" when calculating spending during the current year as well as when calculating spending during the prior year in order to determine the percentage change in fiscal year spending for purposes of imposing spending limitations under § 7(b).

896 P.2d at 872, n. 16. On the basis of this interpretation, the Court held that any change in the amount of revenue generated by a vehicle registration fee approved by the voters in November 1988 was a "voter approved revenue change" and need not be approved by the voters again for the E-470 Highway Authority to keep and spend for the purposes approved by the voters. In addition, since these revenues are excluded from fiscal year spending, and the refund provisions of Section 7(d) do not apply to revenues from sources excluded from fiscal year spending, these revenues are not subject to the limitations of Section 7(d). In other words, voter-approved revenue changes are excluded from the revenue and fiscal year spending limits of TABOR under the holding of E-470. The District's real property tax revenues are therefore excluded from the revenue and spending limits of TABOR because the voters approved the collection and expenditure of real property tax revenues at the time they approved formation of the District.

A related question was presented to the Colorado Supreme Court in Bolt v. Arapahoe County School District Six, 898 P.2d 525 (Colo. 1995). One of the issues in the Bolt case was whether the school district could increase its mill levy by .771 mills in 1992 to raise revenue to pay off outstanding bonds without voter approval after the adoption of TABOR. The bond issue for which the mill levy increase was made was approved by the voters in 1984. Although the 1984 ballot issue did not specifically address increased taxes to pay off the bonds, it was clearly contemplated at the 1984 election that property tax revenues would be the source of revenue to repay the bonds. The Supreme Court reached two important conclusions. First, it held TABOR only applies to those taxes that are either new or represent increases from the previous year, but not when the school district's mill levy was the same as the previous year. *Id.* at 534. Second, the Supreme Court held that the voters in 1984 intended to approve both the debt and the debt repayment mechanism and, therefore, the mill levy increase in 1992 had received the required prior voter approval:

> The taxpayers argue that the voter approval could not have extended to mill levy increases because the ballot issue did not expressly and specifically provide for those increases. However, since we have concluded that the voters approved increased mill levies in 1984, before Amendment 1, we find that it would be unduly burdensome to also require the school district to prove that it complied with the technical requirements of Amendment 1 with respect to the specific language required when mill levy increases are put to a vote. In our view, it is enough that the voters were aware that they were approving the creation of debt and the repayment of that debt, which we have concluded they did.

Id. at 535 (footnote omitted). In short, TABOR does not apply when the voters have approved raising property tax revenue for the purposes contemplated at the time of the election under Bolt. Thus, TABOR does not apply to District's property tax revenue, which was approved by the voters in 2002. Nor does it apply so long as the District does not increase its mill levy above the voter approved 1.5 mills.

Voters may also more broadly approve the retention and expenditure of excess revenues by a governmental entity for a defined period of time. Havens v. Board of County Commissioners, 924 P.2d 517, 521 (Colo. 1996). In Havens, county voters approved a measure which authorized the retention and expenditure of all excess revenues collected by the county during a four year period without further voter approval. Thus, based on the voters' approval, the county was not required to refund excess revenues for four years. In sum, the language of TABOR reserves to the voters the decision on whether to increase debt or increase taxes. *Id.* at 536. Once the voters have spoken, the issue is settled.

The District's voters approved the collection of real property taxes for 30 years. Since the voters have spoken, the District may collect and spend those taxes for 30 years in compliance with TABOR.

The LAVWCD also receives interest from the investment of its property tax revenues. Since the voters approved the collection of all revenues from the tax, voter-approval inherently included any interest earned on those taxes since such revenues are part of the monies the LAVWCD derives from those taxes, and also consistent with voter-approval of the tax, mission, and formation of the District. In addition, interest on the property taxes collected by the LAVWCD flows directly from the voter-approved taxes collected by the LAVWCD, and logically has the same characteristics for TABOR purposes as the underlying taxes, i.e., they are exempt. The alternate interpretation, that interest would be subject to TABOR, would lead to a result contrary to voter-approval of the mission and formation of the District since the LAVWCD could not invest voter-approved taxes, thus forgoing potential revenues that cost the taxpayers nothing.

C. Conclusion: The District's Property Tax Revenues and Associated Interest are exempt from TABOR.

The voters approved the imposition of a 1.5 mill levy on all taxable real property within the District's five counties for a 30-year period. Thus, the collection and expenditure of the revenue generated by the imposition of a 1.5 mill levy on the taxable real property within the District is not subject to TABOR limits for 30 years. Interest earned by the LAVWCD on such voter-approved taxes is also exempt from TABOR limits for the same period. However, because the voters only approved the imposition of a tax on real property, TABOR is applicable to other District taxes, if any, and other District revenues.

II. FISCAL YEAR SPENDING

Question presented. What are the LAVWCD's "fiscal year spending" limits?

Short answer. The LAVWCD's base for the computation of its "fiscal year spending" is calculated on the basis of the District's receipts from the apportionment of the specific ownership tax. The LAVWCD has not exceeded its fiscal year spending limits since its formation. However, if all of the budgeted non-excluded revenue is received in 2006, the District would exceed the applicable TABOR fiscal year spending limits by $9,297.90. Such revenues would have to be refunded to taxpayers in 2007 under TABOR. A refund, if necessary, could be accomplished by reducing the property taxes levied in 2007 by a corresponding amount.

A. TABOR Provisions

Confusingly, TABOR's "fiscal year spending" limit is in reality a limitation on revenue. TABOR thus limits the amount of revenue that can be collected and spent.

The maximum annual percentage increase in the LAVWCD's "fiscal year spending" equals inflation in the prior calendar year plus annual local growth. § (7)(b). The calculation involves three definitions.

First, TABOR defines inflation as the percentage change in the United States Bureau of Labor Statistics Consumer Price Index for Denver/Boulder. § (2)(f). Many local governments estimate inflation for budgeting purposes, and then adjust the relevant revenue and spending limits during the fiscal year when actual inflation data is available.

Second, TABOR defines local growth as a fraction. The numerator is the actual value of all real property in the district from construction of taxable real property improvements, minus the destruction of similar improvements, and additions to, minus deletions from, taxable real property. § (2)(g). The denominator is the actual value of all real property in the District. § (2)(g). Local growth does not include growth in actual valuation from inflation or the addition of personal property.

Third, TABOR defines "fiscal year spending" as expenditures and reserve increases, with some exceptions. § (2)(e). The exceptions include gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, damage awards, property sales, and reserve transfers or expenditures. If the district does increase its reserve in a given year, the total of expenditures plus reserve increases are limited to the fiscal year spending limit for the year. § (2)(e).

"Fiscal year spending" does not include reserve fund transfers. § (2)(e). This would allow the district to place some of its revenue in a year to a reserve for future year's expenses, which is a way to handle revenue increases for multiple year projects. For example, the district could implement a revenue increase within TABOR limits for a project one year and allocate a portion of that revenue to a reserve fund to be spent in future years. In succeeding years, the reserve fund expenditures for the project do not constitute spending, i.e., are not counted as "fiscal year spending," since they have already been accounted for in the year in which they were reserved for the project.

TABOR requires governmental entities to establish and maintain an Emergency Reserve equal to three percent of fiscal year spending. § 5. This reserve can only be spent on a declared emergency which excludes economic conditions, revenue shortfalls, or salary or fringe benefit increases. Any use of the reserves must be repaid in the following year. The Emergency Reserve is included within the District's Fiscal Year Spending Limit.

If revenues from sources not excluded from TABOR limits exceed allowable "fiscal year spending," the excess shall be refunded in the following year unless voters approve a revenue change. § (7)(d).

Revenue collected, kept, or spent contrary to TABOR for four years prior to suit is subject to refund with 10 percent annual interest. § (1).

As discussed below, fiscal year spending excludes voter-approved revenue changes.

B. Analysis of Fiscal Year Spending

The LAVWCD's revenues include real property taxes, specific ownership taxes, contributions, and reimbursements, discussed below. Revenues from interest, grants, conservation easement fees, and water leases are discussed in relation to the District's Enterprise Fund in Part III below.

1. The LAVWCD's Fiscal Year Spending Base

The LAVWCD formally came into existence November 21, 2002. *In the Matter of the Lower Arkansas Valley Water Conservancy District*, Case No. 02CV793 (Pueblo County Dist. 2003). The District first received revenue in 2003, which is the base year for the calculation of its fiscal year spending limits.

Real property taxes. As discussed in Part I above, section (7)(d) of TABOR provides that "voter-approved revenue changes are dollar amounts that are exceptions to, and not part of, any . . . base." Nicholl v. E-470 Public Highway Authority, 896 P.2d 859 (Colo. 1995). The LAVWCD's real property taxes are a "voter approved revenue change," as discussed above. As such, they are "exceptions to, and not part of, any district base" under the holding of E-470.

Specific ownership taxes. Under the state Constitution, specific ownership taxes are imposed by the State of Colorado on motor vehicles and also wheeled trailers, semi-trailers, trailer coaches and self-propelled construction equipment, pursuant to statutes "prescribing methods of determining the taxable value of such property, and requiring payment of a graduated annual . . . tax . . .in lieu of all ad valorem taxes on such property." Colo. Const., art. X, sec. 6 (2006).[1] Also pursuant to the state Constitution, specific ownership taxes "shall be apportioned, distributed, and paid over to the political subdivisions of the state" as may be prescribed by statute. *Id.* The taxes are statutorily apportioned between the county and each political and governmental subdivision within the county in proportion to the ad valorem (property) taxes levied the preceding calendar

[1] The general assembly shall enact laws classifying motor vehicles and also wheeled trailers, semi-trailers, trailer coaches, and mobile and self-propelled construction equipment, prescribing methods of determining the taxable value of such property, and requiring payment of a graduated annual specific ownership tax thereon, which tax shall be in lieu of all ad valorem taxes upon such property; except that such laws shall not exempt from ad valorem taxation any such property in process of manufacture or held in storage, or which constitutes the inventory of manufacturers or distributors thereof or dealers therein; and further except that the general assembly shall provide by law for the taxation of mobile homes.

Such graduated annual specific ownership tax shall be in addition to any state registration or license fees imposed on such property, shall be payable to a designated county officer at the same time as any such registration or license fees are payable, and shall be apportioned, distributed, and paid over to the political subdivisions of the state in such manner as may be prescribed by law.

year by the county and each political and governmental subdivision within the county. C.R.S. § 42-3-107(24). The county treasurer collects the taxes and makes the apportionment on the tenth of each month. *Id.*

Specific ownership taxes are not imposed or collected by the LAVWCD. The LAVWCD simply receives them by virtue if its status as a political subdivision of the state. There is no provision or procedure for voters within the LAVWCD to approve or not approve the imposition or apportionment of these tax revenues. Therefore, the fact that specific ownership tax revenues were not addressed in ballot language creating the LAVWCD does not affect the following analysis.

Both the imposition and apportionment of specific ownership taxes and TABOR are state constitutional provisions. The "preferred interpretation [of TABOR] shall reasonably restrain most the growth of government." Art. X, Sec. 1. In addition, TABOR provides that "[a]ll provisions are self-executing and severable and supersede conflicting state constitutional . . . provisions." *Id.* Thus, if the imposition and/or apportionment of specific ownership taxes conflicts with TABOR, the provisions of TABOR would prevail. Pursuant to Article X Section 6 of the Constitution, specific ownership tax rates are set by statute, Colo. Rev. Stat. § 42-3-107 and the amount of tax collected depends on the statutory rates. TABOR would apply to a change in the tax rates that would increase revenues in order to restrain the growth of government. However, the question here is the apportionment of the taxes once collected; there is no issue about restraining the growth of government since the total amount collected is not in question, having already been established by statute. Thus, the constitutional provisions relating to specific ownership taxes are not inherently in conflict with TABOR, and the question of TABOR superseding Article X Section 6 does not arise. That is not the end of the inquiry, however.

The Colorado Supreme Court has held that "[i]t is an established axiom of constitutional law that where there are both general and specific constitutional provisions relating to the same subject, the specific provision will control." De'Sha v. Reed, 572 P.2d 821, 823 (Colo. 1977) (citations omitted) (because Article VI, Section 21 is of a completely general nature Article II, Section 23 must be regarded as determinative since it specifically grants power to the legislature). Article X, Section 6 specifically imposes and mandates the apportionment among political and governmental subdivisions of specific ownership taxes in lieu of ad valorem (property) taxes on motor vehicles. In contrast, TABOR generally establishes limits on the revenue and spending of state and local governmental entities. Colo. Const. art. XX, sec. 20. Thus, the specific constitutional provisions relating to the imposition and apportionment of specific ownership taxes would control over the general limitations of TABOR under De'Sha. Therefore, political and governmental subdivisions are entitled to their proportionate shares of specific ownership taxes regardless of TABOR. In addition, the Colorado Supreme Court has held "[t]he Constitution must be construed as a whole, including the amendments, giving to each word its proper effect, and so far as possible harmonizing each provision with every other." De'Sha. Here, we are confronted with two constitutional amendments, the specific ownership tax and TABOR. Each word of both provisions can be given its proper effect and so far as possible harmonized with the other by applying TABOR limits to the revenues received by political and governmental subdivisions from the specific ownership tax. In other words, Article X, Section 6 operates to impose and apportion specific ownership taxes among political and governmental subdivisions, while TABOR limits the expenditure of such revenues by the recipients. That preserves the effect of both Article X Section 6 and TABOR, plus it comports with TABOR's preferred interpretation to constrain governmental growth.

The LAVWCD is a political subdivision of the State. C.R.S. § 37-45-112(7). Thus, the LAVWCD receives revenues from specific ownership taxes pursuant to the state Constitution and implementing legislation. The District has received specific ownership taxes each year, beginning in 2003. Revenues from specific ownership taxes count towards the District's "base" for the computation of its fiscal year spending limit because they are not excluded under TABOR. § (2)(e).

<u>Contributions</u>. Gifts are excluded from the calculation of fiscal year spending limits. § (2)(e). Thus, they are not part of the "base," nor subject to TABOR limits, and the LAVWCD can spend such revenues as it chooses.

<u>Reimbursements</u>. The LAVWCD receives reimbursements, most recently and almost entirely from the State for leasing water to repay Colorado's water debt to Kansas under <u>Kansas v. Colorado</u>. The Denver District Court has examined the applicability of TABOR to intergovernmental transfers to repay RTD for construction contracts related to I-25 improvements. <u>Bishop v. Regional Transportation District</u>, Case No. 95 CV 4701 (Den. Dist. Ct., Nov. 14, 1996). Denver transferred approximately $5.66 million to RTD for disbursement to contractors or reimbursement to RTD in connection with two projects. *Id.* at 2. However, Denver paid no fee whatsoever to RTD for any services related to the projects. *Id.* at 4, 5. The court found that the transfers were not revenues under generally accepted accounting principles, which the court found to provide the best safeguard and control of local governments. *Id.* at 10. The court accordingly held that the transfers were not revenue under TABOR, and thus not subject to TABOR spending limits. *Id.* At 12.

The overwhelming majority of the LAVWCD's reimbursements were for the District's direct costs of leasing water and delivering it to Kansas. If handled pursuant to generally accepted accounting principles, such revenue should be exempt from TABOR under the logic of <u>RTD</u>. However, a portion of the District's receipts were reimbursements for its actual administrative costs in making the leased water available for delivery to Kansas, an issue the court did not address in <u>RTD</u>. Since it would be simple to get around TABOR limits by simply construing revenues as reimbursements for actual costs, that result is inconsistent with the intent of TABOR. Thus, the portion of the drought reimbursements received by the LAVWCD attributable to the District's administrative costs are not exempt from TABOR and would be subject to fiscal year spending limits. Alternately, the LAVWCD's revenue from water leasing and reimbursement of its administrative costs could be credited to an enterprise fund, as recommended below in Part III. [2]

2. The LAVWCD's Fiscal Year Spending Limits

The LAVWCD's fiscal year spending (revenue) limits were calculated following the formula in TABOR. Only the LAVWCD's receipts from specific ownership taxes are subject to the limits, assuming the District credits its reimbursed expenses to the Enterprise Fund, as recommended.

The formulas, data and actual calculations for the spending limits are appended to this memo, and summarized below:

<u>Allowable 2004 Fiscal Year Spending</u> equals 2003 Fiscal Year Spending ($194,633.05) plus 3.6 percent ($7,006.79) = $201,639.83. Total 2004 non-excluded revenues ("fiscal year spending") were $200,472.41. The District did not exceed TABOR fiscal year spending limits in 2004.

<u>Allowable 2005 Fiscal Year Spending</u> equals 2004 Fiscal Year Spending ($200,472.41) plus 2.7 percent ($5,412.76) = $205,885.16. Total 2005 non-excluded revenues ("fiscal year spending") were $198,358.37. The District did not exceed TABOR fiscal year spending limits in 2005.

<u>2006 Fiscal Year Spending</u> equals 2005 Fiscal Year Spending ($198,358.37) plus 5.0 percent ($9,917.92) = $208,276.28. Total 2006 non-excluded revenues ("fiscal year spending") are budgeted to be $217,574.18. If all of the budgeted revenue is received in 2006, the District would exceed the applicable TABOR fiscal year spending limits by $9,297.90. Such revenues would have to be refunded to taxpayers in 2007. §(7)(d). If not refunded in 2007, TABOR would impose interest at the rate of 10 percent per year for four years if a taxpayer sued for the refund.

III. WATER ACTIVITY ENTERPRISE FUND

<u>Question presented</u>: How can the Lower Arkansas Valley Water Activity Enterprise (Enterprise) qualify as an enterprise under TABOR each year?

<u>Short answer</u>. The Enterprise can be restructured and LAVWCD revenues (except real property and specific ownership taxes) recategorized to go to the Enterprise. Specifically, the LAVWCD can lease its assets to the Enterprise for a term of years at a

---

[2] Under CRS § 37-45.1-102(2), a "grant" does not include public funds paid or advanced to a water activity enterprise by a district in exchange for an agreement by an enterprise to provide services including the provision of water, the capacity of project works, materials, or other water activities. Thus, even if the District's administrative costs of the water leases did not qualify as TABOR-exempt reimbursements, they would not be considered grant revenue subject to TABOR if handled in an enterprise fund.

nominal rate – say five years at one dollar per year – for the Enterprise to manage. The Enterprise can receive revenues from leasing and for managing the LAVWCD's assets, which can defray many if not all of the Enterprise's expenses. In addition, the LAVWCD can use its TABOR-exempt real property tax revenues to reimburse the Enterprise for expenses incurred in managing the District's assets, for example, Bill Hancock's time spent monitoring conservation easements. At the end of the leases, the LAVWCD can renew them, or the District could grant the Enterprise an option to purchase the assets with proceeds from revenue bonds paid for with revenues derived from the lease and/or sale of appreciated assets.

A. TABOR Provisions

An "enterprise" must satisfy three tests to meet the definition set forth in TABOR. § 2(d). First, an enterprise must be a government-owned business. Second, the enterprise must be authorized to issue its own revenue bonds. Third, the enterprise must receive less than 10 percent of its annual revenue in grants from all Colorado state and local governments combined. An enterprise must meet the three tests each year. § (7)(d). Although many feel that an enterprise can be seeded with an infusion of cash, and then qualify as an enterprise in subsequent years, authority for that notion is absent in the language of TABOR and court decisions.

An enterprise is separate from the tax-supported function of the governing district and is not subject to TABOR, as long as the under-10 percent revenue grant limitation is honored. If the enterprise status is breached, the actions of the enterprise become those of the governing body in its governmental capacity, and thus subject to TABOR. Gregory J. Hobbs, Jr., "Water Activity Enterprises," 22 Colo. Lawyer 2555, 2556 (Dec. 1993).

Under CRS § 37-45.1-101 et seq., a local government district which has legal authority to conduct a "water activity" may establish one or more water activity enterprises. A water conservancy district, such as LAVWCD, qualifies as a local government for the purposes of the statute. CRS § 37-45.1-102(1). The governing body of the district acts as the governing body of each enterprise so established. CRS § 37-45.1-103(3). Honoring the under-10 percent annual revenue grant limitation and conducting an identified water activity are the operative imperatives for a water activity enterprise. Hobbs. Following these prescriptions qualifies the enterprise as a government-owned business under TABOR. *Id.*

The resolution establishing a water activity enterprise should:

1) Define the water activity for which the enterprise is established;
2) Identify the nature of enterprise revenues;
3) Restrict the receipt of grants to under 10 percent of total annual revenues;
4) Establish an enterprise fund to account for revenues and expenditures;

5) Prohibit the enterprise from levying any tax which is subject to a TABOR vote and entering into any general obligation of the district without a vote; and
6) Include an authorization to use all legal authority under 37-45.1-101 et seq. and any other applicable law.

Hobbs, 2557.

A " water activity" includes, separately or in combination, any and all aspects of water rights acquisition, water supply project development, diversion, storage, carriage and delivery, and treatment of water, waste water and storm water. CRS § 37-45.1-102(3). A water conservancy district, such as LAVWCD, has legal authority to acquire water rights, develop water supply projects, diversion, storage, carriage and delivery of water. CRS § 37-45-118.

Once established, a water activity enterprise may exercise the district's authority relating to water activities, but may not levy taxes. CRS § 37-45.1-103(4). A water activity enterprise may also issue revenue bonds secured by revenues from the enterprise. CRS § 37-45.1-104.

A district may contract with its own water activity enterprise, or with one or more enterprises owned by another district. CRS § 37-45.1-103(2)(a). A water activity enterprise may also contract with the Colorado Water Conservation Board, the Colorado Water and Power Development Authority or any other governmental source of funds for grants or loans. CRS § 37-45.1-106.

The Lower Arkansas Valley Water Activity Enterprise ("Enterprise") meets the first two tests to qualify as an enterprise. First, a government-owned business may be viewed as a business that has a private business analog. Amy Kennedy and Dee P. Wiser, "Enterprises Under Article X, § 20 of the Colorado Constitution," 27 Colo. Lawyer 55 (Apr. 1988). Water leasing is an example of a government-owned business with a private analog. Alternately, some view an enterprise as any discreet, definable function or activity. Under this view, almost anything can be an enterprise that can be defined, self-supporting, and contributes to the organization's mission.

Second, it is not necessary for an enterprise to issue revenue bonds in its own name. Instead, it is legally sufficient if the district that created the enterprise is authorized to issue bonds payable solely from enterprise revenues. The Lower Valley Water Activity Enterprise meets this test because the district has the power to issue revenue bonds payable solely from enterprise revenues. CRS § 37-45.1-104. Resolution, at ¶5. The crucial test for the Enterprise is whether it receives less than 10 percent of its annual revenue in grants from all Colorado state and local governments combined.

For purposes of the under 10 percent annual revenue grant restriction, CRS § 37-45.1-102(2) defines a grant as a "cash payment of public funds" made directly to a water activity enterprise by a state or local governmental entity or district which is not required to be repaid. A "grant" does not include public funds paid or advanced to a water activity enterprise by a district in exchange for an agreement by an enterprise to provide services including the provision of water, the capacity of project works, materials, or other water activities. *Id.* In addition, water project loan agreements subject to repayment or contracts for services including the provision of water, capacity of project works, or other water activities which involve the payment of funds for such services to a district or its water activity enterprise by a state or local government or another district or water activity enterprise are not considered grants. CRS § 37-45.1-105(3).

Careful and distinct fund accounting between the district operating in its enterprise capacity, as contrasted with its governmental capacity, is required. Because the governing body of the district can use the district's legal authority to conduct a water activity enterprise, it may assign to the enterprise the performance of water activity obligations previously undertaken by the district in its governmental capacity. For example, the enterprise could acquire and lease water on its own account. Although neither TABOR nor CRS § 37-45.1-101 et seq. mandate any specific accounting standards, judicial review of TABOR compliance would probably take into account careful general fund and enterprise fund accounting. Hobbs, 2558. A potential concern is the assignment of revenues from assets purchased by the District rather than the enterprise. Logic would dictate that the income generated by assets should follow the asset, i.e., be credited to the fund that owns or purchased the asset.

To track financial obligations, revenues, and expenditures, contracts executed after the formation of the enterprise should recite whether the contract is with the enterprise payable from the funds of the enterprise or with the district payable from the general fund of the district. For example, water acquisitions should reflect whether the acquiring entity is the District or the Enterprise. Pre-existing contract obligations can be assigned to the enterprise by a written instrument or resolution of the district's board of directors, with notification to parties affected by the assignment.

Taxes should be counted as governmental general fund revenues, and not as revenues of the enterprise. Fees, charges or payments for the services of a water activity enterprise should be counted as revenues of the enterprise to which the water activity relates. Expenditures of an enterprise should be clearly identified as enterprise expenditures at the time they are made.

The district should carefully examine any proposed cash infusion into the enterprise before it is made in order to ensure that the under-10 percent annual revenue grant restriction is met. Although it is widely thought that the transfer of assets into an enterprise is not a government grant, there is no authority for that premise either in TABOR itself or court decisions. The District should, accordingly, treat the transfer of an asset to an enterprise as equivalent to transferring cash that is then used to purchase that asset.

Careful structuring of an enterprise and fund accounting will ensure that a water activity enterprise is not subject to TABOR's revenue and spending limitations.

B. Analysis of existing Enterprise Fund

The existing LAVWCD Enterprise qualifies as a government-owned business because it was "established for the purpose of pursuing, establishing, and continuing water activities as a business, separate and distinct from the Lower District's governmental activities. The business of the Enterprise shall involve purchase, sale, and management of water. The Enterprises activities may include (without limitation) planning, engineering, water acquisition, use, reuse, storage, augmentation and mitigation of depletions from wells within the Lower District boundaries, exchange, supply, distribution and administration activities." Resolution Establishing an Enterprise Known as Lower Arkansas Valley Water Activity Enterprise, at 1 (May 14, 2003). There are private business analogs that engage in similar water acquisition, reuse, storage, augmentation and mitigation of depletions from wells, exchange, supply, distribution, and administration activities, such as LAWMA, PureCycle, and engineering, consulting, and law firms. Other activities – such as the monitoring of conservation easements – are discreet, definable functions that could be assigned to and undertaken by the Enterprise.

The LAVWCD has acquired various assets, including water rights, water shares, water leases, and conservation easements, in pursuit of its mission to protect and enhance the water resources of the Lower Arkansas Valley. Most of the expenses associated with these acquisitions occur prior to closing. The LAVWCD can pay these costs out of its TABOR-exempt real property taxes.

The District has historically placed interest, contributions, and water leases into the Enterprise. The LAVWCD also receives conservation easement application and stewardship fees in connection with considering and accepting conservation easements, some of which have been credited to the Enterprise.[3]

- Enterprise revenues for 2003 were $8,050 from conservation easement applications.
- Enterprise revenues for 2004 were $12,388.51 from water leases.
- Enterprise revenues for 2005 were $65,350.93, consisting of contributions (gifts) of $23,077.37, water lease revenue of $40,759.52, and interest income of $1,514.04.

With the exception of contributions, which are considered gifts that are exempt from TABOR, the LAVWCD could not spend any of these revenues directly.

---

[3] The LAVWCD accepts conservation easements consistent with its mission, which includes the protection and enhancement of water resources in the Lower Arkansas Valley. Although there is no private business analog, conservation easements with water rights represent an interest in water, the management of which is properly a function of a water activity enterprise under the statute. In addition, the LAVWCD sometimes accepts conservation easements on dry land where such land contributes to the local agricultural economy by providing summer range for raising cattle, creating demand for irrigated hay during non-grazing months.

C. Recommendation for Restructuring Enterprise Fund

For administrative ease and flexibility, the LAVWCD's water-related assets should be leased to the Enterprise for a nominal fee, say for five years at one dollar per year. The Enterprise should then be assigned the task of managing the LAVWCD's assets under a management contract with the District. This would permit revenues from water leases, conservation easements, interest, and grants to be placed in the Enterprise free of TABOR limits to be used to fund the Enterprise's management of the LAVWCD's assets. In addition, if the Enterprise's revenues are insufficient to cover its management costs, such as leasing water, monitoring conservation easements, and putting on seminars, conferences, and workshops, the LAVWCD could pay the Enterprise for such management using its tax revenues. Such LAVWCD payments to the Enterprise would not be "grants" under TABOR because they would merely reimburse the Enterprise for its management costs, including the use of both District services, such as staff time monitoring easements and leasing water, and outside services, such as legal and engineering fees.

The Enterprise can properly receive reimbursements for such activities as leasing water to repay the state's water debt under Kansas v. Colorado, including the Enterprise's administrative costs. The LAVWCD can similarly place its agreements with other local and state agencies to put on seminars, conferences, and workshops in the Enterprise such that the Enterprise is reimbursed for its costs in performing such activities.

An alternative to an enterprise would be the creation of a non-profit corporation rather than an enterprise to perform these functions. The principle advantage of a non-profit corporation is that it would appear more independent of the District than an enterprise, and thus be less subject to the potential criticism that the LAVWCD is taking this action to evade TABOR limits. However, there would be significant and on-going costs with a non-profit corporation, including formation expenses and annual tax returns that would not arise using an enterprise.

In sum, the LAVWCD should adopt a new resolution that would restructure its Enterprise as outlined above. In addition, the LAVWCD Board should instruct its accountant to restate for TABOR purposes its revenues and expenditures since the District's inception consistent with the approach outlined in this memo. Further, the LAVWCD should assign the managerial duties and the income from all of its assets into the Enterprise.

Cc: Bart Mendenhall, General Counsel
Jay Winner, General Manager

APPENDIX
CALCULATION OF LAVWCD FISCAL YEAR SPENDING LIMITS

Calculation of 2003 Fiscal Year Spending Base

The LAVWCD formally came into existence November 21, 2002. *In the Matter of the Lower Arkansas Valley Water Conservancy District*, Case No. 02CV793 (Pueblo County Dist. 2003). The District first collected revenue in 2003, which is the base year for the calculation of fiscal year spending limits. The LAVWCD's 2003 receipts from the specific ownership tax -- $194,633.05 -- are the base for the calculation of the District's fiscal year spending limits.

Calculation of allowable 2004 Fiscal Year Spending

Inflation equals percentage change from 2002 to 2003. 2002 = 184.8; 2003 = 186.8; 2.0/184.8 = 1.1% inflation.

Local growth numerator equals

> the actual value of construction of taxable real property improvements ($221,893,533) [Pueblo $210,097,662 plus Prowers $3,863,070 plus Otero $3,131,478 plus Crowley $2,624,733 plus Bent $2,176,590]
>
> minus the destruction of similar improvements ($2,109,726) [Pueblo $1,601,800 plus Prowers $275,120 plus Otero $24,286 plus Crowley $65,140 plus Bent $143,380)
>
> plus additions to taxable real property ($0) [Pueblo $0 plus Prowers $0 plus Otero $0 plus Crowley $0 plus Bent $0]
>
> plus previously exempt property ($1,362,243) [Pueblo $1,104,489 plus Prowers $0 plus Otero $257,754 plus Crowley $0 plus Bent $0]
>
> minus previously taxable property ($12,929,367) [Pueblo $12,510,928 plus Prowers $123,600 plus Otero $294,839 plus Crowley $0 plus Bent $0]
>
> that is, $208,216,683

Local growth denominator equals

> the actual value of all real property in the district ($8,373,135,493) [Pueblo $6,852,836,542 plus Prowers $460,125,310 plus Otero $629,596,967 plus Crowley $133,936,734 plus Bent $296,639,940]

Thus, local growth equals $208,216,683/$8,373,135,493 = 2.5%

Allowable 2004 increase equals inflation (1.1%) plus local growth (2.5%) = 3.6%.

Allowable 2004 Fiscal Year Spending equals 2003 Fiscal Year Spending ($194,633.05) plus 3.6 percent ($7,006.79) = $201,639.83.

Total 2004 non-excluded revenues were $200,472.41. The District did not exceed TABOR fiscal year spending limits in 2004.

Calculation of allowable 2005 Fiscal Year Spending

Inflation equals percentage change from 2003 to 2004. 2004 = 186.8; 2005 = 187.0; 0.2/186.8 = 0.1% inflation.

Local growth numerator equals

> the actual value of construction of taxable real property improvements ($230,444,466) [Pueblo $213,151,317 plus Prowers $11,558,460 plus Otero $4,865,143 plus Crowley $734,105 plus Bent $135,441]
>
> minus the destruction of similar improvements ($1,716,892) [Pueblo $1,174,649 plus Prowers $305,900 plus Otero $168,014 plus Crowley $29,020 plus Bent $39,309)
>
> plus additions to taxable real property ($403,535) [Pueblo $0 plus Prowers $175,400 plus Otero $228,135 plus Crowley $0 plus Bent $0]
>
> plus previously exempt property ($3,054,273) [Pueblo $2,049,689 plus Prowers $500,950 plus Otero $503,634 plus Crowley $0 plus Bent $0]
>
> minus previously taxable property ($4,066,223) [Pueblo $4,013,084 plus Prowers $1,220 plus Otero $51,919 plus Crowley $0 plus Bent $0]
>
> that is, $228,119,159

Local growth denominator equals

> the actual value of all real property in the district ($8,643,610,960) [Pueblo $7,080,175,956 plus Prowers $464,907,020 plus Otero $670,942,527 plus Crowley $131,673,253 plus Bent $295,912,204]

Thus, local growth equals $228,119,159/$8,643,610,960 = 2.6%

Allowable 2005 increase equals inflation (0.1%) plus local growth (2.6%) = 2.7%.

Allowable 2005 Fiscal Year Spending equals 2004 Fiscal Year Spending ($200,472.41) plus 2.7 percent ($5,412.76) = $205,885.16.

Total 2005 non-excluded revenues were $198,358.37. The District did not exceed TABOR fiscal year spending limits in 2005.

Calculation of allowable 2006 Fiscal Year Spending

Inflation equals percentage change from 2004 to 2005. 2004 = 187.0; 2005 = 190.9; 3.9/187.0 = 2.1% inflation.

Local growth numerator equals

the actual value of construction of taxable real property improvements ($267,241,054) [Pueblo $230,718,576 plus Prowers $3,542,630 plus Otero $8,948,692 plus Crowley $22,943,431 plus Bent $1,087,725]

minus the destruction of similar improvements ($1,352,438) [Pueblo $742,940 plus Prowers $351,920 plus Otero $114,126 plus Crowley $107,774 plus Bent $35,678)

plus additions to taxable real property ($2,370,3920) [Pueblo $2063,836 plus Prowers $1,640 plus Otero $124,873 plus Crowley $0 plus Bent 180,043]

plus previously exempt property ($3,535,236) [Pueblo $3,099,209 plus Prowers $3,630 plus Otero $432,397 plus Crowley $0 plus Bent $0]

minus previously taxable property ($6,482,589) [Pueblo $4,920,544 plus Prowers $93,610 plus Otero $1,468,435 plus Crowley $0 plus Bent $0]

that is, $265,311,655.

Local growth denominator equals

the actual value of all real property in the district ($9,420,663,442) [Pueblo $7,890,520,635 plus Prowers $472,049,290 plus Otero $702,247,710 plus Crowley $150,181,984 plus Bent $205,663,823]

Thus, local growth equals $265,311,655/$9,420,663,442 = 2.9%

Allowable 2006 increase equals inflation (2.1%) plus local growth (2.9%) = 5.0%.

2006 Fiscal Year Spending equals 2005 Fiscal Year Spending ($198,358.37) plus 5.0 percent ($9,917.92) = $208,276.28.

Total 2006 non-excluded revenues are budgeted to be $217,574.18. If all of the budgeted revenue is received in 2006, the District would exceed the applicable TABOR fiscal year spending limits by $9,297.90.

Add'l Backup
Supporting
management fee
(3 pgs)

LAVWCD
ENTERPRISE FUND
MANAGEMENT FEE
12/31/2012

Acct #	Account Description	Balance
MANAGEMENT FEE:		
Operating Expenses		
509	Legal Conservation Eas.	42,354.85
510	Appraisal Fee	-
511	Conservation Easement	-
550	Personnel Expenses	33,395.55
551	Payroll Taxes - Conservation Mgr.	2,654.95
552	Retirement - Conservation Mgr.	1,175.11
606	Larkspur Maintenance	-
606.1	Larkspur rental Equipment	-
606.2	Larkspur Legal	-
654	Stewardship Expenses	-
657	Conservation Easement Asst	44,010.38
658	Arkansas Irrigation Rules	353,955.07
661	Water Purchase Assessment Fee	35,966.21
662	Lease Purchase Agreements	-
663	Lease Agreements	2,949.00
664	If & When Storage Fee	3,000.00
665	Super ditch	359,319.73
665.3	**Super ditch pilot program**	**269,350.00**
666	**Pond Study**	**15,500.00**
667	Water Costs	-
669	Water Quality Study	2,406.17
680	**Recharge Pond**	**73,949.67**
	TOTAL MANAGEMENT FEE	**1,239,986.69**

DUE TO GENERAL FUND:
Reconciliation

Unadjusted Due from GF - 12/31/2011	222,260.96
AJE (15) - to book Conserv. Mgr. Salary	(37,225.61)
Management Fee - computed	1,239,986.69
Management Fee - already booked	(1,160,000.00)
Transfer to EF	(240,000.00)
Expenses paid in General Fund	(5,331.62)
Due to GF - 12/31/2012	**19,690.42**

LAVWCD
GENERAL FUND
MANAGEMENT FEE
12/31/2013

Acct #	Account Description	Balance
MANAGEMENT FEE:		
Operating Expenses - Enterprise Fund		
509	Legal Conservation Eas.	36,945.47
510	Appraisal Fee	6,000.00
511	Conservation Easement	-
550	Personnel Expenses	35,145.36
551	Payroll Taxes - Conservation Mgr.	2,794.06
552	Retirement - Conservation Mgr.	1,054.36
	Payroll - Engineer	32,481.89
	Payroll Taxes - Engineer	2,582.31
	Retirement - Engineer	974.46
574	Dues & Membership	1,287.00
606	Larkspur Maintenance	-
606.1	Larkspur rental Equipment	-
606.2	Larkspur Legal	-
607	Meeting Expense	25.00
608	Other	144.00
654	Stewardship Expenses	1,000.00
657	Conservation Easement Asst	9,526.62
658	Arkansas Irrigation Rules	188,396.88
661	Water Purchase Assessment Fee	38,629.32
662	Lease Purchase Agreements	-
663	Lease Agreements	17,013.85
664	If & When Storage Fee	3,000.00
665	Super ditch	389,352.73
665.3	Super ditch pilot program	-
666	Pond Study	46,837.49
667	Water Costs	-
669	Water Quality Study	-
680	Recharge Pond	2,823.33
	TOTAL MANAGEMENT FEE	**816,014.13**

DUE FROM (TO) ENTERPRISE FUND:

Reconciliation

Unadjusted Due from (to) EF - 12/31/2012	(16,672.46)
AJE (5) - to book Conserv. Mgr. salary	38,993.78
AJE (4) - to adjust for expenses pd by GF	17,210.48
AJE (8) - to book Engineers salary	36,038.66
Management Fee - computed	(816,014.13)
Management Fee - already booked	725,000.00
Transfer to GF	-
Expenses booked in wrong account	(2,026.26)
Expenses paid in Enterprise Fund	-
Due from (to) EF - 12/31/2013	**(17,469.93)**

LAVWCD
WATER ACTIVITY ENTERPRISE FUND
MANAGEMENT FEE
12/31/2014

Acct #	Account Description	Balance
MANAGEMENT FEE:		
Operating Expenses - Enterprise Fund		
508	Water Storage Fee	80,995.00
509	Legal Conservation Eas.	32,072.62
510	Appraisal Fee	-
511	Conservation Easement	3,587.00
550	Personnel Expense (Conserv. Mgr.)	38,376.64
550.1	Salary - Engineer	66,329.26
551	Payroll Taxes - Conservation Mgr.	8,915.80
552	Retirement - Conservation Mgr.	3,364.45
574	Dues & Membership	429.00
590	Office supplies/Postage	9,103.66
594	Rent	4,000.00
595	Utilities	2,773.65
600	Telephones	225.61
606	Larkspur Maintenance	-
606.1	Larkspur rental Equipment	-
606.2	Larkspur Legal	-
607	Meeting Expense	863.06
608	Other	-
610	Events	179.55
620	Travel Meals	259.65
652	Baseline Inventory	8,000.00
654	Stewardship Expenses	-
657	Conservation Easement Asst	3,861.00
658	Arkansas Irrigation Rules	19,381.44
661	Water Purchase Assessment Fee	62,798.34
662	Lease Purchase Agreements	318,881.18
663	Lease Agreements	10,399.00
664	If & When Storage Fee	5,250.00
664.1	NEPA Study	7,270.71
665	Super ditch	207,391.22
665.3	Super ditch pilot program	-
666	Pond Study	55,574.61
667	Water Costs	9,344.07
669	Water Quality Study	-
676	Tail Water Study	10,408.55
680	Recharge Pond	9,468.52
	TOTAL MANAGEMENT FEE	**979,503.59**

DUE FROM (TO) GENERAL FUND:

Reconciliation	
Unadjusted Due from (to) GF - 12/31/2013	17,469.93
AJE (16) - to book Conserv. Mgr. salary	(42,578.88)
AJE (16) - to book Engineers salary	(81,849.76)
Management Fee - computed	979,503.59
Expenses paid in General Fund	(472.68)
Management Fee - already booked (after RJE's)	(873,000.00)
Due from (to) GF - 12/31/2014	**(927.80)**

AJE (17)		
Due to General Fund	123,500.85	
Management Fee		106,503.60
Due from General Fund		16,997.25
To adjust to current		

RJE (107)		
Transfer-In	123,000.00	
Management Fee		123,000.00
To reclass the Mngmt Fee portion		

BERG HILL GREENLEAF & RUSCITTI LLP

ATTORNEYS & COUNSELORS AT LAW

1712 Pearl Street • Boulder, Colorado 80302
Tel: 303.402.1600 • Fax: 303.402.1601
bhgrlaw.com

Peter D. Nichols **Email: pdn@bhgrlaw.com**

28 April 2015

Anna Mauss, Project Manager/Marketing
Colorado Water Conservation Board
131 Sherman Street, Room 718
Denver, Colorado 80203

Re: Lower Arkansas Valley Water Conservancy District Water Activity Enterprise Fund

Dear Anna:

The CWCB has requested an explanation of the transfer of revenues from the Lower Arkansas Valley Water Conservancy District to the Lower Arkansas Valley Water Conservancy District Water Activity Enterprise Fund.

The District pays the Enterprise for the services it provides to the District, e.g., managing the District's assets, like water and conservation easements, which the District assigned to the Enterprise for management purposes.

I trust this explanation will meet your needs.

Sincerely,

Peter D. Nichols

tmg

cc: Jay Winner, LAVWCD

Owner carry Agreement
LAVWCD 2015 Loan

ASSUMPTION AND MODIFICATION AGREEMENT

THIS AGREEMENT, executed this _____ day of __________________, 2015, by and between the Lower Arkansas Valley Water Conservancy District, acting through its Water Enterprise (hereafter referred to as "Assumer") and Eleanor Schiro of Crowley County, Colorado (hereafter referred to as "Schiro"),

RECITALS

1. On December 16, 2011, Ordway Feedyard Ltd. Liability Co., a Colorado Limited Liability Company (hereafter referred to as "Ordway"), entered into an agreement for the purchase of 149.4 paired shares of the Colorado Canal and Lake Henry Reservoir Company. The purchase price for each share of the Colorado Canal/Lake Henry Reservoir Company (hereafter referred to as "paired shares") was computed as $10,000.00 per paired share. Payable in U.S. Dollars by Ordway to Schiro was One Million Four Hundred Ninety-Four Thousand Dollars ($1,494,000.00) to be paid to Schiro as follows:

    a. Earnest Money in the amount of $5,000.00 was to be paid upon execution of the contract by Ordway to Schiro, receipt of which is hereby acknowledged by Schiro, and which sum bound said contract.

    b. At closing, the sum of One Hundred Forty-Four Thousand Four Hundred Dollars ($144,400.00) to be paid to Schiro.

    c. The remaining sum of One Million Three Hundred Forty-four Thousand Six Hundred Dollars ($1,344,600.00) was to be paid to Schiro as follows to-wit:

        i. Ordway was to pay semiannual payments in the sum of Eighty Six Thousand Two Hundred Fifty-Two and 23/100 Dollars ($86,252.23) which sum, include both principal and interest at the rate of 5% per annum with the first payment being due six months after the date of closing and continuing every six months thereafter with the same payment of Eighty Six Thousand Two Hundred Fifty-Two and 23/100 Dollars ($86,252.23) until the twentieth payment due on the tenth anniversary date of closing, which tenth year occurs in 2021, at which time the final payment was to be paid and the entire debt shall have been paid in full.

        ii. Ordway was to have the right to prepay part or all of an annual payment without penalty.

        iii. At the time of closing the parties executed a Stock Pledge Agreement which provide for Shiro to hold the pledged stock as security for the payment of the Note. The shares of stock were to be issued with Ordway as Equity Owner and Shiro as First Mortgagee.

iv. The Promissory Note to be executed at the time of closing was to be secured by a first Deed of Trust on the shares of stock and a security agreement and UCC-1 filing.

v. Payments were made in 2012, 2013 and the first payment in 2014. The second payment in 2014 was not made and the balance due as of the date of this agreement is $1,108,151.35 including principal and interest.

2. Said contract contains a provision to the effect that, in the event said water rights were conveyed to any third party, Schiro, at her sole option, can accelerate the principal indebtedness for which said contract was given as security and declare same to be immediately due and payable.

3. Assumer now desires to purchase the subject irrigation company stock, and to assume the contract to buy and sell shares of irrigation company stock from Ordway Feedyard Ltd. Liability Company and all obligations thereunder, including Notes.

4. In return for Assumer not exercising its right to prepay, the parties agree to modify said contract under the terms and conditions set forth in this agreement.

5. Assumer has applied for and expects to receive a $300,000.00 grant from the Colorado Water Conservation Board. In the event that Assumer receives that grant, Assumer will pay to Schiro the sum of $300,000.00 together with $40,229.92 interest to bring the Note balance to $767,921.43. That payment is contingent upon the grant.

AGREEMENT

In consideration of the Assumer waiving its right of prepayment, it is agreed:

A. By execution of this Agreement, Assumer hereby assumes and agrees to pay to Schiro the remaining principal indebtedness unpaid and owing under the above-described contract and Note, which has a present outstanding principal indebtedness of $1,108,151.35 and Assumer further agrees to be bound and subject to all other warranties, conditions, covenants, and agreements in said contract dated December 16, 2011.

B. In the event that Assumer receives a $300,000.00 grant from Colorado Water Conservation Board, the Assumer will make a payment of $300,000.00 to Schiro together with interest in the amount of $40,229.92 to bring the Note balance to $767,921.43. In this case the semiannual payments would be $43,397.09 . The final payment of principal and interest is to be made on December 16, 2035. The balance of the principal at that time shall continue to bear interest at the rate of 1.75% per annum until the final payment of principal and interest is made on December 16, 2035.

C. Due to the interest change each payment under said contract, after the payment of $300,000.00, together with interest, shall be for the sum of $43,397.09 including principal and interest.

D. Balance of principal and interest payable shall be due on December 16, 2035.

E. Except as modified above, all terms, conditions, covenants, and warranties contained in said contract are hereby reaffirmed by Assumer and Schiro.

Executed by the parties hereto as the day and year first above written.

The Lower Arkansas Valley Water Conservancy District acting through its Water Enterprise

____

By:

____

Eleanor Schiro

STATE OF COLORADO)
) ss.
COUNTY OF OTERO)

The foregoing instrument was acknowledged before me this ______ day of April, 2015, by ____ of the Lower Arkansas Valley Water Conservancy District and Eleanor Schiro.

Witness my hand and official seal.

____

Notary Public

ORDWAY FEEDYARD/ELEANOR SCHIRO

Compound Period ....: Semiannual

Nominal Annual Rate ....: 1.750 %
Effective Annual Rate ...: 1.758 %
Periodic Rate ....: 0.8750 %
Daily Rate ....: 0.00479 %

CASH FLOW DATA

	Event	Start Date	Amount	Number	Period	End Date
1	Loan	05/01/2015	767,921.43	1		
2	Payment	06/16/2015	43,397.09	20	Annual	06/16/2034
3	Payment	12/16/2035	43,397.09	1		

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	05/01/2015				767,921.43
1	06/16/2015	43,397.09	1,693.63	41,703.46	726,217.97
2015	Totals	43,397.09	1,693.63	41,703.46	
2	06/16/2016	43,397.09	12,764.42	30,632.67	695,585.30
2016	Totals	43,397.09	12,764.42	30,632.67	
3	06/16/2017	43,397.09	12,226.00	31,171.09	664,414.21
2017	Totals	43,397.09	12,226.00	31,171.09	
4	06/16/2018	43,397.09	11,678.12	31,718.97	632,695.24
2018	Totals	43,397.09	11,678.12	31,718.97	
5	06/16/2019	43,397.09	11,120.61	32,276.48	600,418.76
2019	Totals	43,397.09	11,120.61	32,276.48	
6	06/16/2020	43,397.09	10,553.30	32,843.79	567,574.97
2020	Totals	43,397.09	10,553.30	32,843.79	
7	06/16/2021	43,397.09	9,976.02	33,421.07	534,153.90
2021	Totals	43,397.09	9,976.02	33,421.07	
8	06/16/2022	43,397.09	9,388.59	34,008.50	500,145.40
2022	Totals	43,397.09	9,388.59	34,008.50	
9	06/16/2023	43,397.09	8,790.84	34,606.25	465,539.15
2023	Totals	43,397.09	8,790.84	34,606.25	
10	06/16/2024	43,397.09	8,182.58	35,214.51	430,324.64
2024	Totals	43,397.09	8,182.58	35,214.51	
11	06/16/2025	43,397.09	7,563.63	35,833.46	394,491.18

ORDWAY FEEDYARD/ELEANOR SCHIRO

Date	Payment	Interest	Principal	Balance
2025 Totals	43,397.09	7,563.63	35,833.46	
12 06/16/2026	43,397.09	6,933.80	36,463.29	358,027.89
2026 Totals	43,397.09	6,933.80	36,463.29	
13 06/16/2027	43,397.09	6,292.90	37,104.19	320,923.70
2027 Totals	43,397.09	6,292.90	37,104.19	
14 06/16/2028	43,397.09	5,640.74	37,756.35	283,167.35
2028 Totals	43,397.09	5,640.74	37,756.35	
15 06/16/2029	43,397.09	4,977.11	38,419.98	244,747.37
2029 Totals	43,397.09	4,977.11	38,419.98	
16 06/16/2030	43,397.09	4,301.82	39,095.27	205,652.10
2030 Totals	43,397.09	4,301.82	39,095.27	
17 06/16/2031	43,397.09	3,614.66	39,782.43	165,869.67
2031 Totals	43,397.09	3,614.66	39,782.43	
18 06/16/2032	43,397.09	2,915.42	40,481.67	125,388.00
2032 Totals	43,397.09	2,915.42	40,481.67	
19 06/16/2033	43,397.09	2,203.89	41,193.20	84,194.80
2033 Totals	43,397.09	2,203.89	41,193.20	
20 06/16/2034	43,397.09	1,479.86	41,917.23	42,277.57
2034 Totals	43,397.09	1,479.86	41,917.23	
21 12/16/2035	43,397.09	1,119.52	42,277.57	0.00
2035 Totals	43,397.09	1,119.52	42,277.57	
Grand Totals	911,338.89	143,417.46	767,921.43	

Last interest amount decreased by 0.01 due to rounding.

Board of Water Works
of Pueblo, Colorado
P.O. Box 400 - Pueblo, CO 81002-400 - 719/584-0250 - www.pueblowater.org

January 2, 2015

Re: Request for proposals for the one-time lease of raw water

To Whom It May Concern:

The Board of Water Works of Pueblo (Pueblo Water) is extending an invitation to water users to submit proposals for the lease of water. Pueblo Water anticipates having 10,000 acre-feet of surplus water available for lease in 2015. Initial approval of proposals will be made at Pueblo Water's regular monthly board meeting on February 17, 2015. If additional water is available, additional proposals may be approved in later months.

This water is stored in Turquoise, Twin Lakes, Clear Creek and Pueblo Reservoirs. Reusable return flows may also be utilized, when appropriate, to satisfy lease deliveries. The source of the water to be delivered is at Pueblo Water's discretion and the transit loss from the point of release to the point of use shall be borne by the lessee. However, we will deliver the type of water legally appropriate for the intended use and we will attempt, whenever possible, to deliver water from the point nearest the intended use to minimize transit loss. The leased water must be taken by December 31, 2015 and any leased water not taken by December 31, 2015 will be forfeited and no refund of payment will be made. Any water leased from Pueblo Water under this request for proposals cannot be used for a marijuana enterprise.

If you are interested in leasing water under the conditions described above, please submit a proposal (or proposals) including the quantity you wish to lease, the price you are offering, the location of delivery, the type of use, and an estimated monthly delivery schedule. Proposals with a total value of less than $500 will not be considered. Proposals must be received at Pueblo Water **no later than 2:00p.m., February 10, 2015**. Any proposals received after the time and date specified will not be considered. You can mail the proposals to:

Purchasing Dept – Water Lease
Pueblo Water
PO Box 400
Pueblo, CO 81002-0400

Or they can be hand delivered to our purchasing department on the 1st floor at 319 West 4th Street in Pueblo. **Each proposal must be accompanied by a check for the total proposal price.** Checks for proposals that are not accepted will be returned.

In considering the proposals, Pueblo Water will weigh the price offered per acre-foot of water, the location and type of use, and the timing of the proposed deliveries. Higher prices per acre-foot and earlier deliveries will be favored over lower prices and later deliveries, although other factors may also be considered at the discretion of Pueblo Water. Pueblo Water reserves the right to reject any and all proposals, to require clarification of proposals, to waive informalities, and to reject nonconforming, nonresponsive, or conditional proposals. If you have any questions about this request for proposals, please contact me at (719) 584-0235.

Sincerely,

Alan Ward

Alan Ward
Water Resources Division Manager
(719) 584-0235
award@pueblowater.org

enclosure: proposal form

Proposal for Water Lease

Name ____

Address ____

City ____________________ State ______ Zip __________

Telephone __________________ Email ____________________

Quantity of Water Requested: ______________ acre-feet

Proposed Unit Price: $______________ per acre-foot

Total Price: $______________($500 minimum)

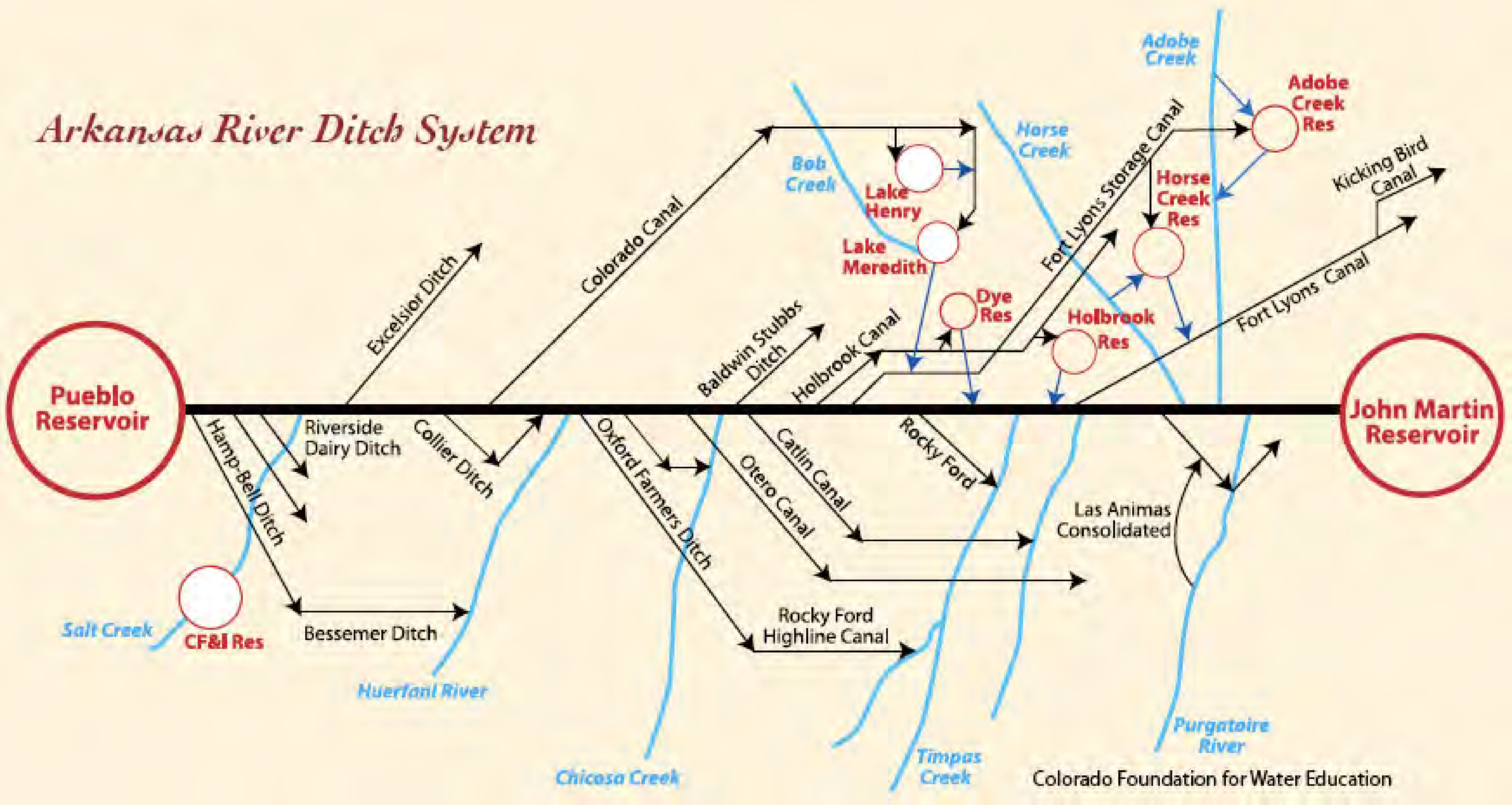
Proposed Delivery Schedule

	Quantity (in acre-feet)	Location of delivery and type of use
February		
March		
April		
May		
June		
July		
August		
September		
October		
November		
December		

By: __________________________ ________________________
(signature of authorized agent) (printed name)

Date: __________________________ ________________________
(title, if applicable)

If you have additional information that you would like considered as part of your proposal, please attach the information to the proposal form.



Arkansas River Ditch System
Pueblo Reservoir
John Martin Reservoir
Hamp-Bell Ditch
Riverside Dairy Ditch
Excelsior Ditch
Collier Ditch
Colorado Canal
Bessemer Ditch
CF&I Res
Salt Creek
Huerfano River
Oxford Farmers Ditch
Baldwin Stubbs Ditch
Holbrook Canal
Otero Canal
Catlin Canal
Rocky Ford
Rocky Ford Highline Canal
Chicosa Creek
Timpas Creek
Bob Creek
Lake Henry
Lake Meredith
Dye Res
Holbrook Res
Horse Creek
Horse Creek Res
Fort Lyons Storage Canal
Fort Lyons Canal
Adobe Creek
Adobe Creek Res
Kicking Bird Canal
Las Animas Consolidated
Purgatoire River
Colorado Foundation for Water Education

BALANCED MANAGEMENT SERVICES COMPANY
P.O. Box 1834
Colorado Springs, CO 80901

April 1, 2015

Ms. Anna Mauss
Colorado Water Conservation Board
Finance Section
1313 Sherman Street, Room 718
Denver, CO 80203

Dear Anna,

On behalf of my client, Lower Arkansas Valley Water Conservancy District, I am submitting a Loan Application, Feasibility Study, and related documents for the Repurposing of Water Supply Project, an acquisition of water rights.

The request for loan funding is complemented by WSRA grant funding totaling $300,000. The grants were approved conditionally upon loan application approval, at the CWCB's March 2015 board meeting.

Thank you considering this project for CWCB loan/WSRA grant funding. Please contact me if any further information is needed.

Sincerely,

Elise M. Bergsten
Principal

COLORADO WATER CONSERVATION BOARD
WATER PROJECT LOAN APPLICATION

Instructions: This application should be typed or printed neatly with black ink. Attach additional sheets as necessary to fully answer any question or to provide additional information that would be helpful in the evaluation of this application. When finished, please sign and return this application to:

> **THE COLORADO WATER CONSERVATION BOARD**
> Finance Section
> 1313 Sherman St, Room 721
> Denver, CO 80203
> Attn: Anna Mauss, P.E.
> Phone (303) 866-3441 x3224 Fax (303) 866-4474
> Email anna.mauss@state.co.us

Part A. - Description of the Applicant (Generally, the applicant is also the prospective owner and sponsor of the proposed project)

1. Name of applicant Lower Arkansas Valley Water Conservancy District

   Mailing Address 801 Swink Avenue, Rocky Ford, CO 81067

   Business Phone (719) 254-5115 Fax (719) 254-5150

   Federal ID Number 48-1298144

2. Person to contact regarding this application:

   Name Jay Winner or Brenda Fillmore

   Position/Title General Manager or Finance/Water

   Address 801 Swink Avenue, Rocky Ford, CO 81067

   Business Phone (719) 254-5115 Jay's Cell (719) 469-8935

   Email: jwinner@centurytel.net OR bfillmore@centurytel.net

3. Type of organization (Ditch Co., Irrigation District, Municipality, etc.): Conservancy District

   Date of Annual Meeting: Meetings are held monthly, the third Wednesday at 10:30 am.

   Is the organization incorporated in the State of Colorado? YES ____ NO___x__ (If YES, please include a copy of the articles of incorporation, and the bylaws)

4. Please provide a brief description of the owner's existing water supply facilities and describe any existing operational or maintenance problems. Attach a map of the service area

   No water supply facilities are owned by the District. See Appendix B for service area map.

   ____

   ____

   For existing facilities indicate:

   Number of shareholders ____________ or Number of customers served ____________

   Current Assessment per share $________ Number of shares ____________

   Number of acres irrigated ____________ Water Right: ______CFS.

   Average water diverted per year: _______ acre-feet.

Part B. - Description of the Project

1. Name of the Project: Repurposing of Water Supply

2. Purpose of this loan application. Check one.

   X____ New project
   ______ Rehabilitation or replacement of existing facility
   ______ Enlargement of existing facility
   ______ Emergency Repair
   ______ Other (describe) ______________________

3. If the project is for rehabilitation of an existing reservoir, is the reservoir currently under a storage restriction order from the State Engineer? YES ___ NO ___

4. General location of the project. (Please include county, and approximate distance and direction from nearest town, as well as legal description, if known.
   Water rights being purchased are paired shares of Colorado Canal water and Lake Henry or Lake Meredith storage. The Colorado Canal lies in Crowley and Pueblo Counties.__________

   ____

5. Please provide a brief narrative description of the proposed project including purpose, need, facilities, type of water uses to be served and service area. Attach separate sheet, if needed.

   This project is a purchase of paired water shares: 558 total shares; 276 paired Colorado Canal and Lake Henry shares, and 282 paired Colorado Canal and Lake Meredith shares. The project is broken into two phases. The first phase is underway, with a bridge loan in place, and the second phase will begin after CWCB loan/grant approval process takes place. This loan is needed for long-term financing of the first phase.

LAVWCD provides water for use and lease by its members, facilitating Rule 10 and 14 Plans, providing replacement water for a lease/fallowing pilot project, and for other uses, mostly associated with compact compliance. In addition to current water shares owned by LAVWCD, the District leases water each year in order to provide water for members' needs. In drought years, the ability to lease "spot" water goes away, leaving an urgent need for a stable water supply for District needs. Also, future municipal growth will further reduce municipal return flows, the usual source of "spot" water.

6. Will the acquisition of additional water rights be necessary? YES __x__ NO ______
   If YES, please explain. This project *is* a purchase of water rights.

7. Please list the names, addresses and phone numbers of the Applicants' engineer(s) and attorney(s).

NAME	ADDRESS and PHONE	
Jack Goble (PE)	801 Swink Ave., Rocky Ford, CO 81067	(719) 688-3165
Peter Nichols	Berg Hill Greenleaf Ruscitti, LLP, 1712 Pearl Street, Boulder, CO 80302	(303) 402-1600
Bart Mendenhall	805 Chestnut Ave., Rocky Ford, CO 81067	(719) 254-1606

8. List any feasibility studies or other investigations that have been completed or are now in progress for the proposed project. If so, submit one copy of the study with this application
   A Feasibility Study is submitted with this loan application.

9. Estimated cost of the project. Please include estimated engineering costs, and estimated construction costs, if known.

Estimated Engineering Costs:$	$	
Estimated Construction Costs:	$	
Estimated Other Costs:	$ 4,077,000.00	(land, water rights purchase,etc.)
Estimated Total Costs:	$ 4,077,000.00	

10. Loan amount and terms you are requesting.
    Requested Loan Amount: $ 2,535,000.00 (Usually 90 % of est. Total Costs)

Term (length) of loan: 20 years(Usually 10, 20, or 30 years)

Interest Rate: 1.45 %(Please call for our current rates)

Part C. - Project Sponsor Financial Information

Because the CWCB's Fund is a revolving fund, it is important that the project sponsor have the financial capacity to repay any loans made by the CWCB. The following information is needed to assist the CWCB in a preliminary assessment of the applicant's financial capacity. The project sponsor will submit the three most recent annual financial statements.

1. List any existing long-term liability (multi-year) or indebtedness that exceeds one thousand dollars. For example, bank loans, government agency loans, bond issues, accounts payable, etc. Include names and addresses of lenders, amounts, due dates and maturity dates.

Lender Name & Address	Remaining Amount	Annual Payment	Maturity Date
none			

2. Are any of the above liabilities now in default, or been in default at any time in the past? YES____ NO ____. If YES, please give detailed explanation.

3. Please provide a brief narrative description of sources of funding, in addition to the CWCB, which have been explored for this project (Examples would be Banks, USDA Rural Development, NRCS, Colorado Water Resources and Power Development Authority, Colorado Division of Local Government, etc.).

   A bridge loan has been received from Colorado East Bank & Trust. It is a temporary loan, and LAVWCD intends to replace it with this CWCB loan.

4. What collateral will you be offering for this loan? Possibilities include a pledge of revenues, the project itself, real estate, water rights. **91.34 Twin Lakes Shares**

The above statements are true, to the best of my knowledge:

Signature of Applicant (to come)________________________

Printed Name Ralph T Winner

Title General Manager

Date 4-1-15