

**SAN LUIS VALLEY
WATER CONSERVANCY DISTRICT**

FINANCIAL STATEMENTS

December 31, 2016



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**Wall,
Smith,
Bateman** Inc.

Certified Public Accountants

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
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INDEPENDENT AUDITOR'S REPORT



Wall,
Smith,
Bateman Inc.

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of San Luis Valley Water Conservancy District (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 San Luis Valley Water Conservancy District, as of December 31, 2016, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison and pension information on pages 27 through 30 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

May 24, 2017

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 343,626	\$ 1,225,621	\$ 1,569,247
Cash Reserved for CWCB Loan	-	39,539	39,539
Accounts Receivable	-	37,534	37,534
Less: Allowance for Bad Debt	-	(33,336)	(33,336)
Inventory:			
Water Rights	-	98,250	98,250
Water Rights in Process	-	1,502,750	1,502,750
Due from Other Governments	30,172	-	30,172
Property Taxes Receivable	160,800	-	160,800
Accrued Interest Receivable	-	279	279
Capital Assets:			
Building	-	366,483	366,483
Leasehold Improvements	-	29,236	29,236
Furniture and Equipment	-	38,327	38,327
Less: Accumulated Depreciation	-	(108,000)	(108,000)
TOTAL ASSETS	534,598	3,196,683	3,731,281
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	20,456	91,377	111,833
LIABILITIES			
Accounts Payable	39,167	149,358	188,525
Unearned Grant Revenue	89,591	-	89,591
Long-term liabilities			
Note Payable Due Within One Year	-	17,922	17,922
Note Payable Due in More than One Year	-	599,691	599,691
Pension Liability	43,946	257,639	301,585
TOTAL LIABILITIES	172,704	1,024,610	1,197,314
DEFERRED INFLOWS OF RESOURCES			
Pensions	1,156	4,428	5,584
Unavailable Revenue - Property Taxes	160,800	-	160,800
TOTAL DEFERRED INFLOWS OF RESOURCES	161,956	4,428	166,384
NET POSITION			
Net Investment in Capital Assets	-	326,046	326,046
Restricted for:			
TABOR	3,882	-	3,882
Debt Service	-	39,539	
Unrestricted	216,512	1,893,437	2,109,949
TOTAL NET POSITION	\$ 220,394	\$ 2,259,022	\$ 2,479,416

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	TOTAL
Primary Government							
Governmental Activities							
General Government	\$ 153,518	\$ -	\$ -	\$ -	\$ (153,518)	\$ -	\$ (153,518)
Colorado Rio Grande							
Restoration Foundation Fund	609,566	-	597,898	-	(11,668)	-	(11,668)
Total Governmental Activities	763,084	-	597,898	-	(165,186)	-	(165,186)
Business-Type Activities							
Water	410,910	543,141	-	-	-	132,231	132,231
Total Business-Type Activities	410,910	543,141	-	-	-	132,231	132,231
Total Primary Government	\$ 1,173,994	\$ 543,141	\$ 597,898	\$ -	(165,186)	132,231	(32,955)
General Revenues							
Taxes							
General Property Taxes - Net					150,687	-	150,687
Specific Ownership Taxes					19,295	-	19,295
Other Taxes					618	-	618
Interest Income					679	2,566	3,245
Miscellaneous					8,715	-	8,715
Total General Revenues					179,994	2,566	182,560
Change in Net Position					14,808	134,797	149,605
Net Position - Beginning of Year					205,586	2,124,225	2,329,811
Net Position - End of Year					\$ 220,394	\$ 2,259,022	\$ 2,479,416

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2016

	GENERAL FUND	COLORADO RIO GRANDE RESTORATION FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 205,896	\$ 137,730	\$ 343,626
Due From Other Governments	1,106	29,066	30,172
Property Taxes Receivable	160,800	-	160,800
TOTAL ASSETS	\$ 367,802	\$ 166,796	\$ 534,598
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ (1,643)	\$ 40,810	\$ 39,167
Unearned Grant Revenue	-	89,591	89,591
TOTAL LIABILITIES	(1,643)	130,401	128,758
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	160,800	-	160,800
TOTAL DEFERRED INFLOWS OF RESOURCES	160,800	-	160,800
FUND BALANCE			
Nonspendable:			
Restricted:			
TABOR	3,882	-	3,882
Assigned:			
Special Revenue Fund	-	36,395	36,395
Unassigned	204,763	-	204,763
TOTAL FUND BALANCE	208,645	36,395	245,040
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 367,802	\$ 166,796	\$ 534,598

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

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
For the Year Ended December 31, 2016**

Total governmental fund balances	\$ 245,040
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred results and contributions to pension plans made after the measurement date are not recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	20,456
Net pension liabilities are not due and payable in the current period and are not reported in the funds.	(43,946)
Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds.	<u>(1,156)</u>
Net position of governmental activities	<u><u>\$ 220,394</u></u>

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

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

For the Year Ended December 31, 2016

	GENERAL FUND	COLORADO RIO GRANDE RESTORATION FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes			
Current Property Taxes, Net	\$ 150,687	\$ -	\$ 150,687
Specific Ownership Taxes	19,295	-	19,295
Delinquent Taxes and Interest	618	-	618
Total Taxes	170,600	-	170,600
Other Revenues			
Grant Revenues	-	545,154	545,154
Cash Contributions	-	52,744	52,744
Miscellaneous Income	8,715	-	8,715
Interest Income	473	206	679
Total Other Revenues	9,188	598,104	607,292
TOTAL REVENUES	179,788	598,104	777,892
EXPENDITURES			
Salaries and Fringe Benefits	13,350	31,726	45,076
Directors' Fees	14,300	-	14,300
Travel	22,454	1,809	24,263
Administration	28,690	18,925	47,615
Professional Services	22,575	14,535	37,110
Insurance	7,156	5,406	12,562
Other	20,692	-	20,692
Cooperative Projects	10,500	-	10,500
Equipment	4,150	-	4,150
Fern Creek Project	-	8,377	8,377
Plaza Project	-	426,124	426,124
Del Norte Riverfront Project	-	15,510	15,510
Rio Grande River	-	64,085	64,085
Colorado Healthy River	-	176	176
RWEACT	-	3,393	3,393
Ptarmigan Meadows	-	19,500	19,500
TOTAL EXPENDITURES	143,867	609,566	753,433
Excess (deficiency) of revenues over expenditures	35,921	(11,462)	24,459
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	(17,056)	-	(17,056)
Transfers from Other Funds	-	17,056	17,056
TOTAL OTHER FINANCING SOURCES (USES)	(17,056)	17,056	-
Net Change in Fund Balance	18,865	5,594	24,459
Fund Balance, Beginning of Year	189,780	30,801	220,581
Fund Balance, End of Year	\$ 208,645	\$ 36,395	\$ 245,040

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

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016**

Net change in fund balances - total governmental funds	\$ 24,459
Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension expense.	<u>(9,651)</u>
Change in net position of governmental activities	<u><u>\$ 14,808</u></u>

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
PROPRIETARY FUND
STATEMENT OF NET POSITION
December 31, 2016

	2016
ASSETS	
Current Assets	
Cash and Cash Equivalents	1,225,621
Cash Reserved for CWCB Loan	39,539
Accounts Receivable	37,534
Less: Allowance for Bad Debt	(33,336)
Accrued Interest Receivable	279
Inventory:	
Water Rights	98,250
Total Current Assets	1,367,887
Noncurrent Assets	
Inventory:	
Water Rights in Process	1,502,750
Capital Assets	
Building	366,483
Leasehold Improvements	29,236
Furniture and Equipment	38,327
Less: Accumulated Depreciation	(108,000)
Total Noncurrent Assets	1,828,796
TOTAL ASSETS	3,196,683
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	91,377
LIABILITIES	
Current Liabilities	
Accounts Payable	149,358
Current Portion Note Payable - CWCB	17,922
Total Current Liabilities	167,280
Long Term Liabilities	
Note Payable - CWCB	599,691
Pension Liability	257,639
Total Long Term Liabilities	857,330
TOTAL LIABILITIES	1,024,610
DEFERRED INFLOWS OF RESOURCES	
Pensions	4,428
NET POSITION	
Net Investment in Capital Assets	326,046
Restricted for:	
Debt Service	39,539
Unrestricted	1,893,437
TOTAL NET POSITION	\$ 2,259,022

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2016

	2016
OPERATING REVENUES	
Sale of Water	\$ 290,119
Cost of Water Sold	(18,832)
Net Sale of Water	271,287
Administration Revenue	12,562
Annual Assessments	259,292
TOTAL OPERATING REVENUES	543,141
OPERATING EXPENSES	
Salary and Fringe Benefits	141,052
Reservoir Storage Rent	125,968
Professional Services	46,970
Project Maintenance	32,193
Recharge Project / Conveyance Fee	18,618
Depreciation Expense	21,204
Other	2,682
TOTAL OPERATING EXPENSES	388,687
Operating Income (Loss)	154,454
NONOPERATING REVENUES (EXPENSES)	
Interest Income	2,566
Interest Expense	(22,223)
TOTAL NONOPERATING REVENUES (EXPENSES)	(19,657)
Change in Net Position	134,797
Net Position, Beginning of Year	2,124,225
Net Position, End of Year	\$ 2,259,022

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sale of water	\$ 281,136
Cash received from annual assessments	259,292
Cash received from administrative revenue	12,562
Cash paid for cost of water sold	(85,769)
Cash paid for salaries and fringe benefits	(105,321)
Cash paid for reservoir storage rent	(125,968)
Cash paid for professional services	(21,644)
Cash paid for project maintenance	(32,193)
Cash paid for recharge project	(6,297)
Cash paid for other expenses	(15,003)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	160,795
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(29,236)
Interest payment	(22,223)
Principal payment	(17,316)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(68,775)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	2,909
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	2,909
Net Increase (Decrease) in Cash and Cash Equivalents	94,929
Cash and Cash Equivalents, Beginning of Year	1,170,231
Cash and Cash Equivalents, End of Year	\$ 1,265,160
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities	
Operating Income (Loss)	\$ 154,454
Adjustments to Reconcile Net Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	21,204
(Increase) Decrease in Accounts Receivable	9,849
(Increase) Decrease in Water Rights	(85,769)
Increase (Decrease) in Accounts Payable	26,142
Increase (Decrease) in Due to General Fund	(816)
Increase (Decrease) in Pension Liability	35,731
Net Cash Provided (Used) by Operating Activities	\$ 160,795

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Primary Government

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

Component Units

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

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

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

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

- Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

- Current-year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

Cash

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

Property Taxes

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

Uncollected property taxes that became an enforceable lien January 1, 2017 have been recorded in the financial statements as an asset and a corresponding unavailable revenue.

Inventories

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

Prepaid Items

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

Capital Assets

Capital Assets which include a building and furniture and equipment are reported in the business-type activity column in the financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

Unearned Grant Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the statement of net position and the balance sheet report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Property taxes levied for the subsequent year are reported in the statement of net position and recognized as an inflow of resources in the period for which the taxes are levied. In the governmental funds, unavailable property taxes are reported as deferred inflows of resources until the period in which the taxes become available.

Certain amounts related to pensions must be deferred.

Pensions

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net Investment in capital assets* - consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

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

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

Encumbrances

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

Use of Estimates

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

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

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of Directors did not adopt supplemental appropriations during the 2016 year.

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

Stewardship

The Colorado Rio Grande Restoration Foundation is a 501(c)(3) nonprofit, therefore no budget was adopted during 2016.

NOTE 3 CASH AND DEPOSITS

A summary of Cash and Deposits for the District are as follows:

Cash in Banks and on Hand	<u>\$ 1,608,786</u>
Total cash and deposits on the statement of net position	<u><u>\$ 1,608,786</u></u>

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$579,463 of the District’s deposits totaling \$1,663,547 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2016, the District had an estimated property tax receivable in the General Fund of approximately \$160,800.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2016, consisted of the following:

Enterprise Fund - Assessments Receivable	\$	37,534
Total Accounts Receivable	\$	37,534

There is an allowance for bad debts associated with this assessments receivable amounting to \$33,336 resulting in net accounts receivable of \$4,198.

NOTE 6 DUE FROM OTHER GOVERNMENTS

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

As of December 31, 2016, the District had \$30,172 due from federal, state, or local governments, reflected as due from other governments in the accompanying basic financial statements.

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

Interfund transfers for the year ended December 31, 2016, were as follows:

Transfer Out	Transfer In	Amount
General Fund	Colorado Rio Grande Restoration Foundation Fund	\$ 17,056

These transfers were made to subsidize the Colorado Rio Grande Restoration Foundation Fund.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Business-Type Activities				
Capital assets being depreciated				
Building	\$ 366,483	\$ -	\$ -	\$ 366,483
Leasehold Improvements	-	29,236	-	29,236
Furniture and Equipment	38,327	-	-	38,327
Total capital assets being depreciated	404,810	29,236	-	434,046
Less accumulated depreciation for:				
Building	67,188	18,324	-	85,512
Furniture and Equipment	19,608	2,880	-	22,488
Total accumulated depreciation	86,796	21,204	-	108,000
Total Capital Assets being depreciated, net	318,014	(21,204)	-	326,046
Business-Type Activities				
Capital Assets, Net	\$ 318,014	\$ (21,204)	\$ -	\$ 326,046

NOTE 9 LONG-TERM LIABILITIES

Changes in Long-Term Debt

During the year ending December 31, 2009, the Colorado Water Conservation Board loaned the District \$727,200, including a loan origination fee of 1%, or \$7,200, at an interest rate of 3.50% per annum for a repayment term of 30 years, in annual installments of \$39,539 per year, of which \$22,223 was attributable to interest in fiscal year 2016. Final payment is due May 1, 2039. This loan was used to acquire water rights for the District's augmentation program. The loan is secured with all water activity enterprise revenue pledged to repay the loan. The District is required to maintain a reserve equal to the annual payment of \$39,539. As of December 31, 2016, the District was in compliance with this requirement.

The following summarizes the District's long-term liabilities for the year ended December 31, 2016:

	Balance 12/31/2015	Additions	Payments	Balance 12/31/2016	Principal Due Within One Year
Business-Type Activities					
Colorado Water Conservation Board	\$ 634,929	\$ -	\$ 17,316	\$ 617,613	\$ 17,922

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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The annual debt service for the loan is as follows:

	Principal	Interest	Total
2017	\$ 17,922	\$ 21,617	\$ 39,539
2018	18,550	20,989	39,539
2019	19,199	20,340	39,539
2020	19,871	19,668	39,539
2021	20,566	18,973	39,539
2022-2026	114,146	83,549	197,695
2027-2031	135,570	62,125	197,695
2032-2036	161,015	36,680	197,695
2037-2039	110,774	7,843	118,617
Total	\$ 617,613	\$ 291,784	\$ 909,397

NOTE 10 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (LGDTF) - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the Organization are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

Employer Contribution Rate	2016
	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total Employer Contribution Rate to LGDTF	12.68%

¹ Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$14,611, for the year ended December 31, 2016.

Pension Funding Status

At December 31, 2016, the District reported a liability of \$301,585 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's

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NOTES TO BASIC FINANCIAL STATEMENTS
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proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the District's proportion was 0.027 percent, which was an increase of 0.007 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$45,381. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,263	\$ (8)
Changes of assumptions or other inputs	-	(5,524)
Net difference between projected and actual earnings on pension plan investments	55,365	-
Changes in proportionate share	39,334	(52)
Differences between actual contributions and proportionate share of contributions	260	-
Contributions subsequent to the measurement date	14,611	-
Total	\$ 111,833	\$ (5,584)

\$14,611 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
2017	\$ 42,417
2018	21,851
2019	15,348
2020	12,019
2021	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent

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PERA Benefit Structure hired after 12/31/06
(ad hoc, substantively automatic)

Financed by the
Annual Increase Reserve (AIR)

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase testing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	<u>100.00%</u>	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Organization's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	\$ 462,357	\$ 301,585	\$ 168,236

Pension plan fiduciary net position- Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 11 POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The San Luis Valley Water Conservation District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, establishes the HCTF and set forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The San Luis Valley Water Conservancy District is required to contribute 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The

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NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016, 2015, and 2014, the District's contributions to the HCTF were \$1,175, \$1,586, and \$1,117 respectively, equal to their required contributions for each year.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Grant Programs

The District participates in a number of federal and state programs. These programs are subject to program compliance audits by the grantors and their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts to be immaterial.

NOTE 13 TABOR EMERGENCY RESERVE

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

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

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

NOTE 14 SUBSEQUENT EVENTS

The District completed the purchase of the Anaconda water rights on April 20, 2017 for \$1,650,242. Total costs associated with this purchase as of December 31, 2016 amounted to \$526,667 and the remaining \$1,123,575 was financed with long-term debt from the Colorado Water Conservation Board in 2017.

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. There have been no claims from these risks for the current year or the three prior years.

**SAN LUIS VALLEY
WATER CONSERVANCY DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Taxes				
Current Property Taxes, Net	\$ 151,320	\$ 151,320	\$ 150,687	\$ (633)
Specific Ownership Taxes	18,000	18,000	19,295	1,295
Delinquent Taxes and Interest	775	775	618	(157)
Total Taxes	<u>170,095</u>	<u>170,095</u>	<u>170,600</u>	<u>505</u>
Other Revenues				
Miscellaneous	3,600	3,600	8,715	5,115
Interest Income	650	650	473	(177)
TOTAL REVENUES	<u>174,345</u>	<u>174,345</u>	<u>179,788</u>	<u>5,443</u>
EXPENDITURES				
Salaries and Fringe Benefits	14,390	14,390	13,350	1,040
Directors' Fees	14,200	14,200	14,300	(100)
Travel	23,000	23,000	22,454	546
Administration	31,310	31,310	28,690	2,620
Professional Services	22,825	22,825	22,575	250
Insurance	8,000	8,000	7,156	844
Other	22,555	22,555	20,692	1,863
Cooperative Projects	16,000	16,000	10,500	5,500
Equipment	5,000	5,000	4,150	850
TOTAL EXPENDITURES	<u>157,280</u>	<u>157,280</u>	<u>143,867</u>	<u>13,413</u>
Excess (deficiency) of revenues over expenditures	<u>17,065</u>	<u>17,065</u>	<u>35,921</u>	<u>18,856</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	<u>(17,065)</u>	<u>(17,065)</u>	<u>(17,056)</u>	<u>9</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(17,065)</u>	<u>(17,065)</u>	<u>(17,056)</u>	<u>9</u>
Net Change in Fund Balance	-	-	18,865	18,865
Fund Balance, Beginning of Year	<u>191,918</u>	<u>191,918</u>	<u>189,780</u>	<u>(2,138)</u>
Fund Balance, End of Year	<u>\$ 191,918</u>	<u>\$ 191,918</u>	<u>\$ 208,645</u>	<u>\$ 16,727</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
COLORADO RIO GRANDE RESTORATION
FOUNDATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Grant Revenues	\$ -	\$ -	\$ 545,154	\$ 545,154
Cash Contributions	-	-	52,744	52,744
Interest Income	-	-	206	206
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>598,104</u>	<u>598,104</u>
EXPENDITURES				
Salary and Fringe Benefits	-	-	31,726	(31,726)
Travel	-	-	1,809	(1,809)
Administration	-	-	18,925	(18,925)
Professional Services	-	-	14,535	(14,535)
Insurance	-	-	5,406	(5,406)
Grant Expenses	-	-	8,377	(8,377)
Plaza Project	-	-	426,124	(426,124)
Del Norte Riverfront Project	-	-	15,510	(15,510)
Rio Grande River	-	-	64,085	(64,085)
Colorado Healthy Rivers	-	-	176	(176)
RWEACT	-	-	3,393	(3,393)
Ptarmigan Meadows	-	-	19,500	(19,500)
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>609,566</u>	<u>(609,566)</u>
Excess (deficiency) of revenues over expenditures	-	-	(11,462)	(11,462)
OTHER FINANCING SOURCES (USES)				
Transfer From Other Funds	-	-	17,056	17,056
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>17,056</u>	<u>17,056</u>
Net Change in Fund Balance	-	-	5,594	5,594
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>30,801</u>	<u>30,801</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,395</u>	<u>\$ 36,395</u>

Notes to Required Supplementary Information

The component unit is a non-profit organization.

No budget is prepared for this organization.

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA LGDTF PENSION PLAN
For the Years Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0273772554%	0.0199922970%	0.0200452090%
District's proportionate share of the net pension liability (asset)	\$ 301,585	\$ 179,192	\$ 164,956
District's covered-employee payroll	\$ 115,232	\$ 155,482	\$ 109,552
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	262%	115%	151%
Plan fiduciary net position as a percentage of the total pension liability	76.9%	80.7%	77.7%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 10 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA LGDTF PENSION PLAN
For the Years Ended December 31,

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 14,611	\$ 19,715	\$ 13,891	\$ 13,560
Contributions in relation to the contractually required contribution	<u>(14,611)</u>	<u>(19,715)</u>	<u>(13,891)</u>	<u>(13,560)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	115,232	155,482	109,552	106,944
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.68%	12.68%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 10 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

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

SAN LUIS VALLEY WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON GAAP)
ENTERPRISE FUND

For the Year Ended December 31, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
OPERATING REVENUES				
Sale of Water	\$ 305,000	\$ 305,000	\$ 290,119	\$ (14,881)
Cost of Water Sold	-	-	(18,832)	(18,832)
Administration Revenue	14,500	14,500	12,562	(1,938)
Annual Assessments	258,875	258,875	259,292	417
TOTAL OPERATING REVENUES	578,375	578,375	543,141	(35,234)
OPERATING EXPENSES				
Salary and Fringe Benefits	114,261	114,261	141,052	(26,791)
Reservoir Storage Rent	115,000	115,000	125,968	(10,968)
Professional Services	200,000	200,000	46,970	153,030
Project Maintenance	30,000	30,000	32,193	(2,193)
Recharge Project / Conveyance Fee	18,750	18,750	18,618	132
Other	6,500	6,500	2,682	3,818
TOTAL OPERATING EXPENSES	484,511	484,511	367,483	117,028
Operating Income (Loss)	93,864	93,864	175,658	81,794
NONOPERATING REVENUES (EXPENSES)				
Interest Income	3,025	3,025	2,566	(459)
Debt Principal Payment	(17,316)	(17,316)	(17,316)	-
Debt Interest Expense	(22,223)	(22,223)	(22,223)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(36,514)	(36,514)	(36,973)	(459)
Net Income (Loss)- Budget Basis	57,350	57,350	138,685	81,335
Add: Principal Payment on Debt			17,316	
Less: Depreciation Expense			(21,204)	
Net Income (Loss)			134,797	
Net Position, Beginning of Year	2,175,088	2,175,088	2,124,225	(50,863)
Net Position, End of Year	\$ 2,232,438	\$ 2,232,438	\$ 2,259,022	\$ 26,584