

**SAN LUIS VALLEY  
WATER CONSERVANCY DISTRICT**

**FINANCIAL STATEMENTS**

**December 31, 2017**

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Office of the State Auditor

July 26, 2018



**Wall,  
Smith,**

**Bateman** Inc.

Certified Public Accountants

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT**  
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**December 31, 2017**

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# INDEPENDENT AUDITORS' 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, 2017, 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, 2017, 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**

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## **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 28 through 31 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

July 24, 2018

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT**  
**STATEMENT OF NET POSITION**  
December 31, 2017

	<u>Primary Government</u>		<u>TOTAL</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 406,486	\$ 1,104,514	\$ 1,511,000
Cash Reserved for CWCB Loan	-	93,221	93,221
Accounts Receivable	-	45,420	45,420
Less: Allowance for Bad Debt	-	(34,552)	(34,552)
Inventory:			
Water Rights	-	1,773,722	1,773,722
Water Rights in Process	-	1,009,872	1,009,872
Due from Other Governments	17,086	-	17,086
Property Taxes Receivable	167,335	-	167,335
Accrued Interest Receivable	-	476	476
Capital Assets:			
Building	-	366,483	366,483
Leasehold Improvements	-	29,236	29,236
Furniture and Equipment	-	28,799	28,799
Less: Accumulated Depreciation	-	(119,676)	(119,676)
<b>TOTAL ASSETS</b>	<u>590,907</u>	<u>4,297,515</u>	<u>4,888,422</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	12,932	61,832	74,764
<b>LIABILITIES</b>			
Accounts Payable	30,615	151,241	181,856
Unearned Grant Revenue	110,252	-	110,252
Deferred Revenue	-	12,500	12,500
Long-term liabilities			
Note Payable Due Within One Year	-	44,143	44,143
Note Payable Due in More than One Year	-	1,679,122	1,679,122
Net Pension Liability	34,840	221,880	256,720
<b>TOTAL LIABILITIES</b>	<u>175,707</u>	<u>2,108,886</u>	<u>2,284,593</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	8,292	32,450	40,742
Unavailable Revenue - Property Taxes	167,335	-	167,335
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>175,627</u>	<u>32,450</u>	<u>208,077</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	304,842	304,842
Restricted for:			
TABOR	3,882	-	3,882
Debt Service	-	93,221	93,221
Unrestricted	248,623	1,819,948	2,068,571
<b>TOTAL NET POSITION</b>	<u>\$ 252,505</u>	<u>\$ 2,218,011</u>	<u>\$ 2,470,516</u>

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, 2017**

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
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General Government	\$ 132,960	\$ -	\$ -	\$ -	\$ (132,960)	\$ -	\$ (132,960)
Colorado Rio Grande Restoration Foundation Fund	440,851	-	419,851	-	(21,000)	-	(21,000)
<b>Total Governmental Activities</b>	<u>573,811</u>	<u>-</u>	<u>419,851</u>	<u>-</u>	<u>(153,960)</u>	<u>-</u>	<u>(153,960)</u>
<b>Business-Type Activities</b>							
Water	417,279	373,345	-	-	-	(43,934)	(43,934)
<b>Total Business-Type Activities</b>	<u>417,279</u>	<u>373,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,934)</u>	<u>(43,934)</u>
<b>Total Primary Government</b>	<u>\$ 991,090</u>	<u>\$ 373,345</u>	<u>\$ 419,851</u>	<u>\$ -</u>	<u>(153,960)</u>	<u>(43,934)</u>	<u>(197,894)</u>
<b>General Revenues</b>							
Taxes							
General Property Taxes - Net					155,047	-	155,047
Specific Ownership Taxes					21,240	-	21,240
Other Taxes					475	-	475
Interest Income					699	2,923	3,622
Miscellaneous					8,610	-	8,610
<b>Total General Revenues</b>					<u>186,071</u>	<u>2,923</u>	<u>188,994</u>
<b>Change in Net Position</b>					32,111	(41,011)	(8,900)
<b>Net Position - Beginning of Year</b>					<u>220,394</u>	<u>2,259,022</u>	<u>2,479,416</u>
<b>Net Position - End of Year</b>					<u>\$ 252,505</u>	<u>\$ 2,218,011</u>	<u>\$ 2,470,516</u>

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

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**December 31, 2017**

	<u>GENERAL FUND</u>	<u>COLORADO RIO GRANDE RESTORATION FOUNDATION FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 246,370	\$ 160,116	\$ 406,486
Due From Other Governments	1,106	15,980	17,086
Property Taxes Receivable	167,335	-	167,335
<b>TOTAL ASSETS</b>	<u>\$ 414,811</u>	<u>\$ 176,096</u>	<u>\$ 590,907</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ (3,761)	\$ 34,376	\$ 30,615
Unearned Grant Revenue	-	110,252	110,252
<b>TOTAL LIABILITIES</b>	<u>(3,761)</u>	<u>144,628</u>	<u>140,867</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	167,335	-	167,335
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>167,335</u>	<u>-</u>	<u>167,335</u>
<b>FUND BALANCE</b>			
Nonspendable:			
Restricted:			
TABOR	3,882	-	3,882
Assigned:			
Special Revenue Fund	-	31,468	31,468
Unassigned	247,355	-	247,355
<b>TOTAL FUND BALANCE</b>	<u>251,237</u>	<u>31,468</u>	<u>282,705</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 414,811</u>	<u>\$ 176,096</u>	<u>\$ 590,907</u>

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, 2017**

<b>Total governmental fund balances</b>	<b>\$ 282,705</b>
 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.	12,932
Net pension liabilities are not due and payable in the current period and are not reported in the funds.	(34,840)
Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds.	<u>(8,292)</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 252,505</u></u></b>

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, 2017**

	<b>GENERAL FUND</b>	<b>COLORADO RIO GRANDE RESTORATION FOUNDATION FUND</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>			
Taxes			
Current Property Taxes, Net	\$ 155,047	\$ -	\$ 155,047
Specific Ownership Taxes	21,240	-	21,240
Delinquent Taxes and Interest	475	-	475
Total Taxes	<u>176,762</u>	<u>-</u>	<u>176,762</u>
Other Revenues			
Grant Revenues	-	356,908	356,908
Cash Contributions	-	62,943	62,943
Miscellaneous Income	8,610	-	8,610
Interest Income	462	237	699
Total Other Revenues	<u>9,072</u>	<u>420,088</u>	<u>429,160</u>
<b>TOTAL REVENUES</b>	<u>185,834</u>	<u>420,088</u>	<u>605,922</u>
<b>EXPENDITURES</b>			
Salaries and Fringe Benefits	13,176	80,611	93,787
Directors' Fees	13,000	-	13,000
Travel	17,613	6,134	23,747
Administration	25,689	23,383	49,072
Professional Services	22,475	9,355	31,830
Insurance	7,470	5,740	13,210
Other	15,988	-	15,988
Cooperative Projects	8,500	-	8,500
Equipment	3,495	-	3,495
Plaza Project	-	99,205	99,205
Del Norte Riverfront Project	-	59,926	59,926
Rio Grande River	-	109,381	109,381
Rio Grande State Wildlife Expense	-	47,116	47,116
<b>TOTAL EXPENDITURES</b>	<u>127,406</u>	<u>440,851</u>	<u>568,257</u>
Excess (deficiency) of revenues over expenditures	58,428	(20,763)	37,665
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to Other Funds	(15,836)	-	(15,836)
Transfers from Other Funds	-	15,836	15,836
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(15,836)</u>	<u>15,836</u>	<u>-</u>
Net Change in Fund Balance	42,592	(4,927)	37,665
<b>Fund Balance, Beginning of Year</b>	<u>208,645</u>	<u>36,395</u>	<u>245,040</u>
<b>Fund Balance, End of Year</b>	<u>\$ 251,237</u>	<u>\$ 31,468</u>	<u>\$ 282,705</u>

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, 2017**

<b>Net change in fund balances - total governmental funds</b>	\$ 37,665
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>(5,554)</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 32,111</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, 2017**

	<b>2017</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 1,104,514
Cash Reserved for CWCB Loan	93,221
Accounts Receivable	45,420
Less: Allowance for Bad Debt	(34,552)
Accrued Interest Receivable	476
Inventory:	
Water Rights	1,773,722
<b>Total Current Assets</b>	2,982,801
<b>Noncurrent Assets</b>	
Inventory:	
Water Rights in Process	1,009,872
Capital Assets	
Building	366,483
Leasehold Improvements	29,236
Furniture and Equipment	28,799
Less: Accumulated Depreciation	(119,676)
<b>Total Noncurrent Assets</b>	1,314,714
<b>TOTAL ASSETS</b>	4,297,515
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	61,832
	61,832
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	151,241
Deferred Revenue	12,500
Current Portion Note Payable - CWCB	44,143
<b>Total Current Liabilities</b>	207,884
<b>Long Term Liabilities</b>	
Note Payable - CWCB	1,679,122
Net Pension Liability	221,880
<b>Total Long Term Liabilities</b>	1,901,002
<b>TOTAL LIABILITIES</b>	2,108,886
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	32,450
	32,450
<b>NET POSITION</b>	
Net Investment in Capital Assets	304,842
Restricted for:	
Debt Service	93,221
Unrestricted	1,819,948
<b>TOTAL NET POSITION</b>	\$ 2,218,011

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, 2017**

	<b>2017</b>
<b>OPERATING REVENUES</b>	
Sale of Water	\$ 91,806
Net Sale of Water	91,806
Administration Revenue	12,741
Annual Assessments	268,798
<b>TOTAL OPERATING REVENUES</b>	373,345
<b>OPERATING EXPENSES</b>	
Salary and Fringe Benefits	126,512
Reservoir Storage Rent	154,645
Professional Services	37,923
Project Maintenance	37,305
Recharge Project / Conveyance Fee	17,920
Depreciation Expense	21,204
Other	154
<b>TOTAL OPERATING EXPENSES</b>	395,663
Operating Income (Loss)	(22,318)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	2,923
Interest Expense	(21,616)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	(18,693)
Change in Net Position	(41,011)
<b>Net Position, Beginning of Year</b>	2,259,022
<b>Net Position, End of Year</b>	\$ 2,218,011

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, 2017**

	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from sale of water	\$ 97,636
Cash received from annual assessments	268,798
Cash received from administrative revenue	12,741
Cash paid for cost of water sold	(1,182,594)
Cash paid for salaries and fringe benefits	(104,704)
Cash paid for reservoir storage rent	(154,645)
Cash paid for professional services	(36,040)
Cash paid for project maintenance	(37,305)
Cash paid for recharge project	(6,466)
Cash paid for other expenses	(11,608)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(1,154,187)</b>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest payment	(21,616)
Principal payment	(17,922)
Loan Proceeds	1,123,574
<b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>	<b>1,084,036</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	2,726
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>2,726</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(67,425)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,265,160</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,197,735</b>
<b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities</b>	
Operating Income (Loss)	\$ (22,318)
Adjustments to Reconcile Net Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	21,204
(Increase) Decrease in Accounts Receivable	(6,670)
(Increase) Decrease in Water Rights	(1,182,594)
Increase (Decrease) in Accounts Payable	1,883
Increase (Decrease) in Deferred Revenue	12,500
Increase (Decrease) in Pension Liability	21,808
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,154,187)</b>

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

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**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 Governments***

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, 2017**

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.

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- 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, 2018 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.

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***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.

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- *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.

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**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 adopt supplemental appropriations during the 2017 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 2017.

**NOTE 3 CASH AND DEPOSITS**

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

Cash in Banks and on Hand	<u>\$ 1,604,221</u>
Total cash and deposits on the statement of net position	<u><u>\$ 1,604,221</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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***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, \$506,781 of the District’s deposits totaling \$1,633,706 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, 2017, the District had an estimated property tax receivable in the General Fund of approximately \$167,335.

**NOTE 5 ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2017, consisted of the following:

Enterprise Fund - Assessments Receivable	\$ 45,420
Total Accounts Receivable	\$ 45,420

There is an allowance for bad debts associated with this assessments receivable amounting to (\$34,552) resulting in net accounts receivable of \$10,868.

**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, 2017, the District had \$17,086 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, 2017, were as follows:

Transfer Out	Transfer In	Amount
General Fund	Colorado Rio Grande Restoration Foundation Fund	\$ 15,836

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

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**NOTE 8 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Leasehold Improvements	\$ 29,236	\$ -	\$ -	\$ 29,236
Total capital assets not being depreciated	29,236	-	-	29,236
Capital assets being depreciated				
Building	366,483	-	-	366,483
Furniture and Equipment	38,327	-	9,528	28,799
Total capital assets being depreciated	404,810	-	9,528	395,282
Less accumulated depreciation for:				
Building	85,512	18,324	-	103,836
Furniture and Equipment	22,488	2,880	9,528	15,840
Total accumulated depreciation	108,000	21,204	9,528	119,676
Total Capital Assets being depreciated, net	296,810	(21,204)	-	275,606
<b>Business-Type Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 326,046</b>	<b>\$ (21,204)</b>	<b>\$ -</b>	<b>\$ 304,842</b>

**NOTE 9 LONG-TERM LIABILITIES**

***Changes in Long-Term Debt***

During the year ending December 31, 2017, the Colorado Water Conservation Board loaned the District \$1,123,574, including a loan origination fee of 1%, or \$11,124, at an interest rate of 2.50% per annum for a repayment term of 30 years, in annual installments of \$53,682 per year, of which \$0 was attributable to interest in fiscal year 2017. Final payment is due May 1, 2047. 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 \$53,682. As of December 31, 2017, the District was in compliance with this requirement.

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 \$21,616 was attributable to interest in fiscal year 2017. 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, 2017, the District was in compliance with this requirement.

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The following summarizes the District's long-term liabilities for the year ended December 31, 2017:

<b>Business-Type Activities</b>	<b>Balance 12/31/2016</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance 12/31/2017</b>	<b>Principal Due Within One Year</b>
Colorado Water Conservation Board	\$ 617,613	\$ 1,123,574	\$ 17,922	\$ 1,723,265	\$ 44,143

The annual debt service for the loan is as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 44,143	\$ 49,078	\$ 93,221
2019	45,431	47,790	93,221
2020	46,759	46,462	93,221
2021	48,126	45,095	93,221
2022	49,535	43,686	93,221
2023-2027	270,340	195,762	466,102
2028-2032	312,514	153,588	466,102
2033-2037	361,478	104,624	466,102
2038-2042	295,542	51,945	347,487
2043-2047	249,397	19,013	268,410
<b>Total</b>	<b>\$ 1,723,265</b>	<b>\$ 757,043</b>	<b>\$ 2,480,308</b>

**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](http://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:

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- 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 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 District 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	2017
	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	-1.02%
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	1.50%
Total Employer Contribution Rate to LGDTF	12.68%

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

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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 \$14,400 for the year ended December 31, 2017.

***Pension Funding Status***

At December 31, 2017, the District reported a liability of \$256,720 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the District's proportion was 0.019 percent, which was a decrease of 0.008 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of \$27,362. At December 31, 2017, 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	\$ 4,568	\$ -
Changes of assumptions or other inputs	18,209	742
Net difference between projected and actual earnings on pension plan investments	30,831	-
Changes in proportionate share	6,756	40,000
Contributions subsequent to the measurement date	14,400	-
<b>Total</b>	<b>\$ 74,764</b>	<b>\$ 40,742</b>

\$14,400 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, 2018. 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	
2018	\$ 1,892
2019	8,797
2020	8,639
2021	293
2022	-
Thereafter	-

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*Actuarial assumptions.* The December 31, 2015 actuarial valuation used the following actuarial cost method, 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
Discount Rate	7.50 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry Age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount Rate	7.25 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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.

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As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changes, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant 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.

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As of the November 18, 2016 adoption of the current long-term expected rate of return, by the PERA Board, 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>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
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 7.25%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 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:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- 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 3.50%.
- 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 and effective as of the measurement date, 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.

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

- 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.
- 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, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent.

*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 7.25 percent as of the measurement date, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 378,518	\$ 256,718	\$ 155,853

*Pension plan fiduciary net position-* Detailed information about the LGDTS'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](http://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

**SAN LUIS VALLEY WATER CONSERVANCY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

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](http://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 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, 2017, 2016, and 2015, the District's contributions to the HCTF were \$1,158, \$1,175, and \$1,586 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 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, 2017**

	<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>
<b>REVENUES</b>				
Taxes				
Current Property Taxes, Net	\$ 155,585	\$ 155,585	\$ 155,047	\$ (538)
Specific Ownership Taxes	19,500	19,500	21,240	1,740
Delinquent Taxes and Interest	250	250	475	225
Total Taxes	<u>175,335</u>	<u>175,335</u>	<u>176,762</u>	<u>1,427</u>
Other Revenues				
Miscellaneous	8,100	8,100	8,610	510
Interest Income	450	450	462	12
<b>TOTAL REVENUES</b>	<u>183,885</u>	<u>183,885</u>	<u>185,834</u>	<u>1,949</u>
<b>EXPENDITURES</b>				
Salaries and Fringe Benefits	13,809	13,809	13,176	633
Directors' Fees	16,000	16,000	13,000	3,000
Travel	25,922	25,922	17,613	8,309
Administration	36,055	36,055	25,689	10,366
Professional Services	22,834	22,834	22,475	359
Insurance	8,000	8,000	7,470	530
Other	23,000	23,000	15,988	7,012
Cooperative Projects	16,000	16,000	8,500	7,500
Equipment	5,000	5,000	3,495	1,505
<b>TOTAL EXPENDITURES</b>	<u>166,620</u>	<u>166,620</u>	<u>127,406</u>	<u>39,214</u>
Excess (deficiency) of revenues over expenditures	<u>17,265</u>	<u>17,265</u>	<u>58,428</u>	<u>41,163</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Other Funds	<u>(17,265)</u>	<u>(17,265)</u>	<u>(15,836)</u>	<u>1,429</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(17,265)</u>	<u>(17,265)</u>	<u>(15,836)</u>	<u>1,429</u>
Net Change in Fund Balance	-	-	42,592	42,592
<b>Fund Balance, Beginning of Year</b>	<u>197,966</u>	<u>197,966</u>	<u>208,645</u>	<u>10,679</u>
<b>Fund Balance, End of Year</b>	<u>\$ 197,966</u>	<u>\$ 197,966</u>	<u>\$ 251,237</u>	<u>\$ 53,271</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, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Grant Revenues	\$ -	\$ -	\$ 356,908	\$ 356,908
Cash Contributions	-	-	62,943	62,943
Interest Income	-	-	237	237
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>420,088</u>	<u>420,088</u>
<b>EXPENDITURES</b>				
Salary and Fringe Benefits	-	-	80,611	(80,611)
Travel	-	-	6,134	(6,134)
Administration	-	-	23,383	(23,383)
Professional Services	-	-	9,355	(9,355)
Insurance	-	-	5,740	(5,740)
Plaza Project	-	-	99,205	(99,205)
Del Norte Riverfront Project	-	-	59,926	(59,926)
Rio Grande River	-	-	109,381	(109,381)
Rio Grande State Wildlife	-	-	47,116	(47,116)
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>440,851</u>	<u>(440,851)</u>
Excess (deficiency) of revenues over expenditures	-	-	(20,763)	(20,763)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer From Other Funds	-	-	15,836	15,836
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>15,836</u>	<u>15,836</u>
Net Change in Fund Balance	-	-	(4,927)	(4,927)
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>36,395</u>	<u>36,395</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,468</u>	<u>\$ 31,468</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, 2017**

	2017	2016	2015	2014
District's proportion of the net pension liability	0.0190113114%	0.0273772554%	0.0199922970%	0.2004520900%
District's proportionate share of the net pension liability (asset)	\$ 256,720	\$ 301,585	\$ 179,192	\$ 164,956
District's covered payroll	\$ 113,562	\$ 115,232	\$ 155,482	\$ 109,552
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	226%	262%	115%	151%
Plan fiduciary net position as a percentage of the total pension liability	73.6%	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,**

	2017	2016	2015	2014	2013
Contractually required contribution	\$ 14,400	\$ 14,611	\$ 19,715	\$ 13,891	\$ 13,560
Contributions in relation to the contractually required contribution	(14,400)	(14,611)	(19,715)	(13,891)	(13,560)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	113,562	115,232	155,482	109,552	106,944
Contributions as a percentage of covered-employee payroll	12.68%	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, 2017**

	<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>
<b>OPERATING REVENUES</b>				
Sale of Water	\$ 220,000	\$ 220,000	\$ 91,806	\$ (128,194)
Administration Revenue	13,500	13,500	12,741	(759)
Annual Assessments	268,750	268,750	268,798	48
<b>TOTAL OPERATING REVENUES</b>	<u>502,250</u>	<u>502,250</u>	<u>373,345</u>	<u>(128,905)</u>
<b>OPERATING EXPENSES</b>				
Salary and Fringe Benefits	105,626	105,626	126,512	(20,886)
Reservoir Storage Rent	141,000	155,000	154,645	355
Professional Services	150,000	134,000	37,923	96,077
Project Maintenance	30,000	36,000	37,305	(1,305)
Recharge Project / Conveyance Fee	18,750	18,750	17,920	830
Other	6,501	2,501	154	2,347
<b>TOTAL OPERATING EXPENSES</b>	<u>451,877</u>	<u>451,877</u>	<u>374,459</u>	<u>77,418</u>
Operating Income (Loss)	<u>50,373</u>	<u>50,373</u>	<u>(1,114)</u>	<u>(51,487)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	2,550	2,550	2,923	373
Debt Principal Payment	(17,922)	(17,922)	(17,922)	-
Debt Interest Expense	(21,616)	(21,616)	(21,616)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(36,988)</u>	<u>(36,988)</u>	<u>(36,615)</u>	<u>373</u>
Net Income (Loss)- Budget Basis	13,385	13,385	(37,729)	(51,114)
Add: Principal Payment on Debt			17,922	
Less: Depreciation Expense			(21,204)	
Net Income (Loss)			(41,011)	
<b>Net Position, Beginning of Year</b>	<u>2,260,965</u>	<u>2,260,965</u>	<u>2,259,022</u>	<u>(1,943)</u>
<b>Net Position, End of Year</b>	<u>\$ 2,274,350</u>	<u>\$ 2,274,350</u>	<u>\$ 2,218,011</u>	<u>\$ (56,339)</u>