

**SAN LUIS VALLEY IRRIGATION DISTRICT**

**CENTER, COLORADO**

**FINANCIAL STATEMENTS**

**December 31, 2018**



**Wall,  
Smith,  
Bateman** Inc.

Certified Public Accountants

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
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**December 31, 2018**

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## INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

To the Board of Directors  
San Luis Valley Irrigation District  
Center, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of San Luis Valley Irrigation District (the District), as of and for the year ended December 31, 2018, 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 opinion.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of December 31, 2018, and the respective changes in financial position 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 information on page 15 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.

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

June 6, 2019

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**BASIC FINANCIAL STATEMENTS**

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2018**

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET POSITION</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 3,379,298	\$ -	\$ 3,379,298
Accounts Receivable	469,406	-	469,406
Grants Receivable	987,566	-	987,566
Patronage Equities	3,684	-	3,684
<b>Non-Current Assets</b>			
<b>Capital Assets</b>			
Land	-	417,274	417,274
Construction in Progress	-	6,179,168	6,179,168
Dam, Spillway, Structures, Laterals and Improvements	-	6,186,629	6,186,629
Buildings	-	71,896	71,896
Heavy Equipment	-	347,766	347,766
Vehicles	-	161,316	161,316
Less: Accumulated Depreciation	-	(2,451,473)	(2,451,473)
<b>TOTAL ASSETS</b>	<u>\$ 4,839,954</u>	<u>10,912,576</u>	<u>15,752,530</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	2,211,748	-	2,211,748
Unearned Revenue	441,000	-	441,000
Notes Payable	-	46,648	46,648
<b>Non-Current Liabilities</b>			
Notes Payable	-	3,081,380	3,081,380
Compensated Absences	-	13,369	13,369
<b>TOTAL LIABILITIES</b>	<u>2,652,748</u>	<u>3,141,397</u>	<u>5,794,145</u>
<b>FUND BALANCE</b>			
Unassigned Fund Balance Designated for Subsequent Year's Expenditure	2,187,206	(2,187,206)	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>2,187,206</u>	<u>(2,187,206)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 4,839,954</u>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		7,784,548	7,784,548
Unrestricted		2,173,837	2,173,837
<b>TOTAL NET POSITION</b>		<u>\$ 9,958,385</u>	<u>\$ 9,958,385</u>

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

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2018**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses)</b>
		<b>Charges for Services</b>	<b>Operating Grants &amp; Contributions</b>	<b>Capital Grants &amp; Contributions</b>	<b>Revenues and Changes in Net Position Primary Government</b>
<b>Primary Government:</b>					
<b>Governmental Activities</b>					
<b>General Government</b>					
Administration	\$ 83,444	\$ -	\$ -	\$ -	\$ (83,444)
Operations and Maintenance	614,908	1,199,241	-	2,053,993	2,638,326
Assessments	49,343	-	-	-	(49,343)
Interest Expense	26,181	-	-	-	(26,181)
<b>Total Governmental Activities</b>	<b>\$ 773,876</b>	<b>\$ 1,199,241</b>	<b>\$ -</b>	<b>\$ 2,053,993</b>	<b>2,479,358</b>
<b>General Revenues:</b>					
Interest on Investments					19,345
<b>Total General Revenues</b>					<b>19,345</b>
<b>Change in Net Position</b>					<b>2,498,703</b>
<b>Net Position - Beginning of Year</b>					<b>7,459,682</b>
<b>Net Position - End of Year</b>					<b>\$ 9,958,385</b>

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

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**For the Year Ended December 31, 2018**

	<u><b>GENERAL FUND</b></u>
<b>REVENUES</b>	
Assessments	\$ 579,596
Cooperative Agreements	597,019
District Operations	22,626
Intergovernmental Revenue	2,053,993
Interest on Investments	<u>19,345</u>
<b>TOTAL REVENUES</b>	<u><b>3,272,579</b></u>
<b>EXPENDITURES</b>	
Administration	110,453
Operations and Maintenance	480,823
Assessments	49,343
Capital Outlay	4,758,162
Debt Service	<u>70,673</u>
<b>TOTAL EXPENDITURES</b>	<u><b>5,469,454</b></u>
Excess (deficiency) of revenues over expenditures	<u>(2,196,875)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Loan Proceeds	<u>2,643,116</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>2,643,116</b></u>
Net Change in Fund Balance	446,241
<b>Fund Balance, Beginning of Year</b>	<u><b>1,740,965</b></u>
<b>Fund Balance, End of Year</b>	<u><u><b>\$ 2,187,206</b></u></u>

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

**SAN LUIS VALLEY IRRIGATION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2018**

**Net change in fund balance - governmental fund** **\$ 446,241**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between capital outlay and depreciation in the current period.

Capital asset additions	\$ 4,757,385	
Depreciation expense	(133,308)	
	<u>4,624,077</u>	4,624,077

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Loan Proceeds		(2,643,116)
Principal payments on Notes Payable		44,492

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		<u>27,009</u>
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**Change in net position of governmental activities** **\$ 2,498,703**

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REPORTING ENTITY**

***Primary Government***

The San Luis Valley Irrigation District was organized on December 10, 1908 under the Irrigation Act of 1905 (CRS 37-41-101). The purpose of the District is to provide storage and distribution of irrigation water to landowners in the District. The District is governed by a Board of Directors consisting of five elected members. The Board has the power to hire and fire personnel, enter into debt agreements, fund deficits, and adopt budgets. The District encompasses portions of Saguache, Rio Grande, and Alamosa counties.

***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 District has no component units.

**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. Mainly assessments and intergovernmental revenues support governmental activities.

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

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2018**

- 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.

**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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments 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 General Fund is the only fund of the District and it is the general operating fund of the District. It accounts for all financial resources of the general government.

**ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE**

***Cash***

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

***Capital Assets***

Capital Assets, which include land, construction in progress, infrastructure, buildings, vehicles, and heavy equipment are reported in the applicable governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	30-50
Buildings	30
Heavy Equipment	15
Vehicles	5-10

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2018**

***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 of 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 enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *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 of 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.

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2018**

***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 re-budgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

***Use of Estimates***

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

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

The San Luis Valley Irrigation 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 of the General Fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of Directors did not adopt supplemental appropriations during 2018. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

***Stewardship***

Expenditures exceeded budgeted appropriations in the General Fund by \$498,399 during FY2018. This may be a violation of Colorado Revised State Statutes 22-44-115(1).

**NOTE 3 CASH AND DEPOSITS**

A summary of cash and deposits for the District are as follows:

Cash on Hand	\$ 38
Cash Deposited with Banks	<u>3,379,260</u>
Total Cash and Deposits on Statement of Net Position	<u><u>\$ 3,379,298</u></u>

***Cash and Deposits***

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

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

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$2,722,768 of the District's bank balance of \$3,381,460 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

**NOTE 4 ACCOUNTS RECEIVABLE**

Of the total accounts receivable balance of \$469,406, 73% is concentrated with Rio Grande Water Conservation District and 21% is concentrated with Colorado Parks and Wildlife.

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 417,274	\$ -	\$ -	\$ 417,274
Construction in Progress	1,421,783	4,757,385	-	6,179,168
Total capital assets not being depreciated	1,839,057	4,757,385	-	6,596,442
Capital assets being depreciated				
Dam, Spillway, Structures, Laterals, Improvements	6,186,629	-	-	6,186,629
Buildings	71,896	-	-	71,896
Heavy Equipment	347,766	-	-	347,766
Vehicles	161,316	-	-	161,316
Total capital assets being depreciated	6,767,607	-	-	6,767,607
Less accumulated depreciation for				
Dam, Spillway, Structures, Laterals, Improvements	1,850,389	112,129	-	1,962,518
Buildings	71,896	-	-	71,896
Heavy Equipment	289,194	9,845	-	299,039
Vehicles	106,686	11,334	-	118,020
Total accumulated depreciation	2,318,165	133,308	-	2,451,473
Total Capital Assets being depreciated, net	4,449,442	(133,308)	-	4,316,134
Governmental Activities Capital Assets, Net	<u>\$ 6,288,499</u>	<u>\$ 4,624,077</u>	<u>\$ -</u>	<u>\$ 10,912,576</u>

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2018**

Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental Activities:	
Operations and Maintenance	\$ 133,308
Total depreciation expense- governmental activities	\$ 133,308

**NOTE 6 DEFERRED REVENUE**

The District entered into a contract with the City of Monte Vista for a 30 year lease of water storage in the amount of \$630,000. A \$100,000 installment was received in November 2010 and the remaining \$530,000 was received in June 2014. The storage fee revenue will be recognized in equal amounts of \$21,000 per year (\$630,000/30 years). At December 31, 2018, the balance of deferred revenue is \$441,000.

**NOTE 7 LONG-TERM DEBT**

Long-term liability balances for the year ended December 31, 2018 were as follows:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018	Due Within One Year
<i>Governmental Activities</i>					
Colorado Contract #C153318	\$ 14,473	\$ -	\$ 3,458	\$ 11,015	\$ 3,563
Colorado Contract #C153386	207,232	-	21,702	185,530	22,787
Colorado Contract #C153478	307,699	-	19,332	288,367	20,298
Total Colorado Contracts	529,404	-	44,492	484,912	46,648
Rio Grande Cooperative Project Loan	-	2,643,116	-	2,643,116	-
Compensated Absences	40,378	-	27,009	13,369	-
Total	\$ 569,782	\$ 2,643,116	\$ 71,501	\$ 3,141,397	\$ 46,648

***Colorado Contract #C153318***

This 3% loan was received in 1979 from the Colorado Water Conservation Board. Original amount of the loan was \$90,000 and the annual payment is \$3,893 including interest. The loan is payable over 40 years with final payment in the year 2020. Loan payments are subject to deferral by agreement between the District and Conservation Board.

***Colorado Contract #C153386***

The District entered into a contract dated June 1, 1982 with the Colorado Water Conservation Board. The contract calls for a total advance \$1,134,500 of which \$619,500 does not have to be repaid in recognition of certain water storage rights received by the State. The original principal balance was \$515,000 repayable over 40 years at 5% interest. Annual payments are \$32,063 including interest.

***Colorado Contract #C153478***

The District entered into a contract dated April 26, 1991 with the Colorado Water Conservation Board. The contract calls for the total advance \$1,097,535 with \$571,448 being treated as a grant and \$526,087 being treated as a loan repayable over 42 years at 5% interest. Annual payments are \$34,716 including interest. The contract is collateralized by 419 acre feet of reservoir water.

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2018**

The annual requirements to amortize the three Colorado contracts payable and as of December 31, 2018 are as follows and were adjusted to conform to amortization schedules provided by the Colorado Water Conservation Board.

Year Ending December 31	Principal	Interest	Total
2019	\$ 46,647	\$ 24,026	\$ 70,673
2020	48,908	21,765	70,673
2021	51,284	19,392	70,676
2022	49,876	16,904	66,780
2023	52,369	14,409	66,778
2024-2028	202,765	34,943	237,708
2029	33,063	1,653	34,716
	<u>\$ 484,912</u>	<u>\$ 133,092</u>	<u>\$ 618,004</u>

***Rio Grande Reservoir Rehabilitation- Phase 2 Loan***

The District entered into a contract dated May 9, 2018 with the Colorado Water Conservation Board for a \$15,000,000 loan. The contract calls for the loan proceeds to be received as reimbursement of 60% of expenses incurred as the Rio Grande Reservoir Rehabilitation project is completed. Annual payments are \$637,949 including interest with repayments not beginning until after substantial completion of the project.

**NOTE 8 ASSESSMENT REVENUE**

Assessments are set at \$1,500 per quarter section on land included in the District. Assessments levied for 2018 are due in 2018; the District's policy is to not deliver water until the assessment is paid. Unpaid amounts become an enforceable lien against the property.

**NOTE 9 DEFINED CONTRIBUTION PLAN**

All eligible District employees, participate in a Simplified Employee Pension Plan (the Plan), a defined contribution plan, authorized by state statute. The Plan is a tax qualified plan under Section 408(5) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Employees are eligible immediately upon their employment with the District, and participation is mandatory. Employee and employer contributions are always 100% vested.

The District contributes a minimum of 8.5% and a maximum of 25% of the compensation of each employee. For 2018, the contribution rate was 8.5%. Each participant is permitted to make additional contributions up to applicable Internal Revenue Code Limits. For the year ended December 31, 2018, employee contributions totaled \$575 and the District recognized pension expense of \$24,910.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. The Plan may be amended by resolution of the Board of Directors but it may not be amended beyond the limits established by state statute.

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 10 COMPENSATED ABSENCES**

Each permanent employee is eligible for a vacation after completing one year of continuous employment. Vacation credits are earned monthly and credits are applied at the end of the month. All permanent employees shall receive 10 hours per month, maximum of 120 hours or 15 days per calendar year, of vacation credits. Vacation time can be accumulated from calendar year to calendar year, not to exceed 240 hours or 30 days as of December 31<sup>st</sup>. Upon retirement, lay-off, termination, dismissal, firing or otherwise leaving the employment of the District, an employee shall be paid for any accrued annual leave not to exceed 240 hours or 30 days, at the employees' current rate of pay. A liability for the accrued vacation at December 31, 2018 has been recorded in the financial statements. The District also provides for compensation to employees for sick leave, but such benefits do not vest and are not recorded in the financial statements.

**NOTE 11 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. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

**NOTE 12 RESERVOIR CONSTRUCTION PROJECT**

The Colorado Water Conservation Board awarded the District a \$5 million grant in 2012 for the design and initial rehabilitation of Rio Grande Reservoir. In addition, a \$15 million loan/\$10 million grant from Colorado Water Conservation Board was authorized to complete the improvements of Rio Grande Reservoir. The project includes 1)final design of the improvements, 2)project management, 3)primary construction components, including a)upstream clay blanket, b)low level outlet, and c)spillway improvements, and 4)Federal land exchange. Total estimated cost is \$30 million.

During 2018, \$4,735,527 was spent on the design, engineering, and project management of the rehabilitation of the Reservoir's outlet to provide operational efficiencies and improve stream health and utilization of Rio Grande water. Total costs incurred to date is \$6,556,584. The remaining amount of the total estimated costs will be incurred in future years as the project is estimated to be completed by 2020.

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SAN LUIS VALLEY IRRIGATION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2018**

	<b>BUDGET AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Assessments	\$ 580,285	\$ 580,285	\$ 579,596	\$ (689)
Cooperative Agreements	525,000	525,000	597,019	72,019
District Operations	25,500	25,500	22,626	(2,874)
Intergovernmental Revenue	569,618	569,618	2,053,993	1,484,375
Interest on Investments	10,000	10,000	19,345	9,345
<b>TOTAL REVENUES</b>	<b>1,710,403</b>	<b>1,710,403</b>	<b>3,272,579</b>	<b>1,562,176</b>
<b>EXPENDITURES</b>				
General Government				
Administration	237,632	237,632	110,453	127,179
Operations and Maintenance	1,442,771	1,442,771	480,823	961,948
Assessments	40,000	40,000	49,343	(9,343)
Capital Outlay	1,550,000	3,179,979	4,758,162	(1,578,183)
Debt Service	70,673	70,673	70,673	-
<b>TOTAL EXPENDITURES</b>	<b>3,341,076</b>	<b>4,971,055</b>	<b>5,469,454</b>	<b>(498,399)</b>
Excess (deficiency) of revenues over expenditures	(1,630,673)	(3,260,652)	(2,196,875)	1,063,777
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	-	-	2,643,116	2,643,116
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>2,643,116</b>	<b>2,643,116</b>
Net Change in Fund Balance	(1,630,673)	(3,260,652)	446,241	3,706,893
<b>Fund Balance, Beginning of Year</b>	<b>1,630,673</b>	<b>3,260,652</b>	<b>1,740,965</b>	<b>(1,519,687)</b>
<b>Fund Balance, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,187,206</b>	<b>\$ 2,187,206</b>

**Notes to Required Supplementary Information**

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