

SAN LUIS VALLEY IRRIGATION DISTRICT

CENTER, COLORADO

FINANCIAL STATEMENTS

December 31, 2022



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

SAN LUIS VALLEY IRRIGATION DISTRICT
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December 31, 2022

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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

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

Opinions

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 of December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the San Luis Valley Irrigation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 – Summary of Significant Accounting Policies, in year 2022 the District adopted the provisions of GASB Statement No. 87, *Leases*, that establishes the recognition of certain lease assets and deferred inflows of resources based on the payment provisions of the contract. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Luis Valley Irrigation

Certified Public Accountants

District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 San Luis Valley Irrigation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Luis Valley Irrigation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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 as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 30, 2023

SAN LUIS VALLEY IRRIGATION DISTRICT
BASIC FINANCIAL STATEMENTS

SAN LUIS VALLEY IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

	GENERAL FUND	ADJUSTMENTS	PRIMARY GOVERNMENT STATEMENT OF NET POSITION
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,645,869	\$ -	\$ 2,645,869
Accounts Receivable	37,456	-	37,456
Due from Other Governments	-	-	-
Storage Lease Receivable	350,970	-	350,970
Accrued Interest Receivable	249,549	-	249,549
Patronage Equities	3,684	-	3,684
Non-Current Assets			
Storage Lease Receivable	12,455,457	-	12,455,457
Capital Assets			
Land	-	417,274	417,274
Construction in Progress	-	70,066	70,066
Dam, Spillway, Structures, Laterals and Improvements	-	33,166,145	33,166,145
Buildings	-	148,657	148,657
Heavy Equipment	-	409,267	409,267
Vehicles	-	254,406	254,406
Less: Accumulated Depreciation	-	(4,089,924)	(4,089,924)
TOTAL ASSETS	\$ 15,742,985	\$ 30,375,891	\$ 46,118,876
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 3,742	\$ -	\$ 3,742
Unearned Revenue	21,000	-	21,000
Accrued Interest Payable	61,875	-	61,875
Notes Payable	-	449,262	449,262
Non-Current Liabilities			
Unearned Revenue	336,000	-	336,000
Notes Payable	-	14,448,483	14,448,483
Compensated Absences	-	17,058	17,058
TOTAL LIABILITIES	422,617	14,914,803	15,337,420
DEFERRED INFLOWS OF RESOURCES			
Storage Leases	12,806,427	-	12,806,427
TOTAL DEFERRED INFLOWS OF RESOURCES	12,806,427	-	12,806,427

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

SAN LUIS VALLEY IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>PRIMARY GOVERNMENT STATEMENT OF NET POSITION</u>
FUND BALANCE			
Assigned Fund Balance Designated for Subsequent Year's Expenditure	2,381,595	(2,381,595)	-
Unassigned	<u>132,346</u>	<u>(132,346)</u>	<u>-</u>
TOTAL FUND BALANCE	<u>2,513,941</u>	<u>(2,513,941)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,936,558</u>		
NET POSITION			
Net Investment in Capital Assets		15,478,146	15,478,146
Unrestricted		<u>2,496,883</u>	<u>2,496,883</u>
TOTAL NET POSITION		<u>\$ 17,975,029</u>	<u>\$ 17,975,029</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, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government
Primary Government:					
Governmental Activities					
General Government					
Administration	\$ 158,415	\$ -	\$ -	\$ -	\$ (158,415)
Operations and Maintenance	1,186,658	1,131,930	-	-	(54,728)
Assessments	38,378	-	-	-	(38,378)
Interest and Other Expense	264,404	-	-	-	(264,404)
Total Governmental Activities	\$ 1,647,855	\$ 1,131,930	\$ -	\$ -	(515,925)
General Revenues:					
Interest Income From Leases					270,658
Interest on Investments					16,436
Total General Revenues					287,094
Change in Net Position					(228,831)
Net Position - Beginning of Year					18,203,860
Net Position - End of Year					\$ 17,975,029

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, 2022

	<u>GENERAL FUND</u>
REVENUES	
Assessments	\$ 584,006
Water Storage Fees	45,296
District Operations	3,294
Storage Lease Income	499,334
Interest Income From Leases	270,658
Intergovernmental Revenue	-
Interest on Investments	<u>16,436</u>
TOTAL REVENUES	<u>1,419,024</u>
EXPENDITURES	
Administration	158,415
Operations and Maintenance	501,842
Assessments	38,378
Capital Outlay	63,374
Debt Service	<u>704,729</u>
TOTAL EXPENDITURES	<u>1,466,738</u>
Net Change in Fund Balance	(47,714)
Fund Balance, Beginning of Year	<u>2,561,655</u>
Fund Balance, End of Year	<u><u>\$ 2,513,941</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 THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022**

Net change in fund balance - governmental fund \$ (47,714)

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	\$	63,374	
Depreciation expense		<u>(684,816)</u>	(621,442)

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.

Principal payments on Notes Payable			440,325
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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>-</u>
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Change in net position of governmental activities \$ (228,831)

SAN LUIS VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

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, 2022

- 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, 2022

Deferred Inflows/Outflows of Resources

In addition to liabilities, the statement of net position reports 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.

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

SAN LUIS VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

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 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.

Leases

Leases are defined by the general government as the right to use an underlying asset. As a lessor, the District recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and the deferred inflow of resources at the beginning of the lease term. Periodic amortization of the discount on the receivable is reported as interest revenue for that period. Deferred inflows of resources are recognized as lease income based on the interest method.

Assessment Revenue

Assessments are set at \$1,500 per quarter section on land included in the District. Assessments levied for 2022 are due in 2022; the District's policy is to not deliver water until the assessment is paid. Unpaid amounts become an enforceable lien against the property.

Water Storage Fees

The District provides water storage in the Rio Grande Reservoir for individuals and other water districts each year. The storage fees are based on acre feet of storage space and temporary storage space if available.

New Accounting Pronouncements

During 2022, the District adopted the provisions of GASB Statement No. 87, Leases, that establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payments provisions of the lease contract. Under the statement, a lessee is required a lease liability and a tangible right to use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This standard did not have an impact on beginning net position or fund balance.

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:

SAN LUIS VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

- 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 2022. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

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>2,645,831</u>
 Total Cash and Deposits on Statement of Net Position	 \$	 <u><u>2,645,869</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.

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 \$1,775,358 of the District’s bank balance of \$2,631,637 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 \$37,456, 44% is concentrated with SLV Water Conservancy District.

SAN LUIS VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 5 LEASES

The District leases water storage capacity in the Rio Grande Reservoir to three separate entities. The District has recognized a lease receivable as of December 31, 2022 for the terms of the individual leases. These leases are summarized as follows:

Colorado Parks and Wildlife – On August 22, 2016, the District entered into a 30 year lease agreement with the Colorado Parks and Wildlife. The lease does not have a renewal option. Annual payments are subject to adjustment after five years from the effective date of the lease and every fifth year thereafter by applying the Bureau of Labor Statistics Consumer Price Index (CPI).

Rio Grande Water Conservation District – On July 16, 2021, the District entered into a 30 year lease agreement with the Rio Grande Water Conservation District (RGWCD). The RGWCD has the option to renew for an additional 30 year term following the end of the initial 30 year term. The Annual payments are not subject to adjustment.

Trinchera SubDistrict – On April 1, 2022, the District entered into a five year lease agreement with the Trinchera SubDistrict. The SubDistrict has the option to renew for an additional five year term following the end of the initial five year term. Annual payments are subject to adjustment by applying the CPI. In addition, the SubDistrict will also pay \$25 per acre foot of storage used in excess of the firm storage amount which has not been included in the recognized lease receivable.

The future minimum lease payments for all leases are as follows:

Year Ending December 31	Principal	Interest	Total
2023	\$ 350,970	\$ 259,530	\$ 610,500
2024	358,025	252,475	610,500
2025	365,222	245,278	610,500
2026	372,565	237,935	610,500
2027	369,556	230,444	600,000
2028-2032	1,963,321	1,036,679	3,000,000
2033-2037	2,170,708	829,292	3,000,000
2038-2042	2,400,001	599,999	3,000,000
2043-2047	2,553,516	346,484	2,900,000
2048-2051	1,902,543	97,457	2,000,000
	<u>\$ 12,806,427</u>	<u>\$ 4,135,573</u>	<u>\$ 16,942,000</u>

SAN LUIS VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 417,274	\$ -	\$ -	\$ 417,274
Construction in Progress	70,066	-	-	70,066
Total capital assets not being depreciated	<u>487,340</u>	<u>-</u>	<u>-</u>	<u>487,340</u>
Capital assets being depreciated				
Dam, Spillway, Structures, Laterals, Improvements	33,102,771	63,374	-	33,166,145
Buildings	148,657	-	-	148,657
Heavy Equipment	409,267	-	-	409,267
Vehicles	254,406	-	-	254,406
Total capital assets being depreciated	<u>33,915,101</u>	<u>63,374</u>	<u>-</u>	<u>33,978,475</u>
Less accumulated depreciation for				
Dam, Spillway, Structures, Laterals, Improvements	2,837,228	651,719	-	3,488,947
Buildings	75,741	2,559	-	78,300
Heavy Equipment	336,773	13,945	-	350,718
Vehicles	155,366	16,593	-	171,959
Total accumulated depreciation	<u>3,405,108</u>	<u>684,816</u>	<u>-</u>	<u>4,089,924</u>
Total Capital Assets being depreciated, net	<u>30,509,993</u>	<u>(621,442)</u>	<u>-</u>	<u>29,888,551</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,997,333</u>	<u>\$ (621,442)</u>	<u>\$ -</u>	<u>\$ 30,375,891</u>

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

Governmental Activities:

Operations and Maintenance	\$ 684,816
Total depreciation expense- governmental activities	<u>\$ 684,816</u>

NOTE 7 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, 2022, the balance of deferred revenue is \$357,000.

SAN LUIS VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 8 LONG-TERM DEBT

Long-term liability balances for the year ended December 31, 2022 were as follows:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022	Due Within One Year
<i>Governmental Activities</i>					
Colorado Contract #C153386	\$ 113,693	\$ -	\$ 26,378	\$ 87,315	\$ 27,697
Colorado Contract #C153478	224,378	-	23,497	200,881	24,672
Total Colorado Contracts	338,071	-	49,875	288,196	52,369
Rio Grande Cooperative Project Loan	14,999,999	-	390,450	14,609,549	396,893
Compensated Absences	17,058	-	-	17,058	-
Total	\$ 15,355,128	\$ -	\$ 440,325	\$ 14,914,803	\$ 449,262

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 of \$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 of \$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.

The annual requirements to amortize the two Colorado contracts payable as of December 31, 2022 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
2023	\$ 52,369	\$ 14,410	\$ 66,779
2024	54,988	11,791	66,779
2025	57,737	9,042	66,779
2026	28,561	6,155	34,716
2027	29,989	4,727	34,870
2028-2029	64,552	4,881	69,433
	\$ 288,196	\$ 51,006	\$ 339,202

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 during completion of the Rio Grande Reservoir project. The loan is repayable over 30 years at 1.65% interest with final

SAN LUIS VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

payment due in 2051. Annual payments are \$637,949 including interest with repayments beginning in October 2022. The loan is secured with District assessment revenue as pledged revenues.

The annual requirements to amortize the loan payable as of December 31, 2022 is as follows:

Year Ending December 31	Principal	Interest	Total
2023	\$ 396,893	\$ 241,056	\$ 637,949
2024	403,441	234,508	637,949
2025	410,097	277,852	687,949
2026	416,864	221,085	637,949
2027	423,742	214,207	637,949
2028-2032	2,225,923	963,823	3,189,746
2033-2037	2,415,723	774,025	3,189,748
2038-2042	2,621,706	568,041	3,189,747
2043-2047	2,845,253	344,494	3,189,747
2048-2051	2,449,907	101,885	2,551,792
	\$ 14,609,549	\$ 3,940,976	\$ 18,550,525

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 2021, 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, 2022, employee contributions totaled \$50 and the District recognized pension expense of \$23,373.

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.

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 31st. 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, 2022 has been recorded in the financial statements. The District

SAN LUIS VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

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 COMMITMENTS AND CONTINGENCIES

North Branch Splitter Project

During 2020, the District began a construction project to design and replace the diversion structure of the Farmer's Union Canal. Total cost of the project is estimated at \$1.5 million. The District was given approval by the Colorado Water Conservation Board to use remaining funds from Phase I of the Rio Grande Reservoir Project to cover a portion of the costs. The District is seeking additional grant funds to cover the remaining costs. There was no work completed during the year and no expenditures incurred as of December 31, 2022. The remaining costs related to the design, construction, and project management for the diversion structure replacement will continue in subsequent years. An estimated date of completion is not known at this time as they are seeking funding to continue with the project. Estimated costs to complete are \$1.4 million.

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, 2022

	BUDGET AMOUNTS			VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Assessments	\$ 580,285	\$ 580,285	\$ 584,006	\$ 3,721
Water Storage Fees	620,000	620,000	45,296	(574,704)
District Operations	23,000	23,000	3,294	(19,706)
Intergovernmental Revenue	-	-	-	-
Storage Lease Income	-	-	499,334	499,334
Interest Income from Leases	-	-	270,658	270,658
Interest on Investments	11,500	11,500	16,436	4,936
TOTAL REVENUES	1,234,785	1,234,785	1,419,024	184,239
EXPENDITURES				
General Government				
Administration	259,500	259,500	158,415	101,085
Operations and Maintenance	1,101,613	1,101,613	501,842	599,771
Assessments	80,000	80,000	38,378	41,622
Capital Outlay	1,743,611	1,743,611	63,374	1,680,237
Debt Service	1,039,266	1,039,266	704,729	334,537
TOTAL EXPENDITURES	4,223,990	4,223,990	1,466,738	2,757,252
Net Change in Fund Balance	(2,989,205)	(2,989,205)	(47,714)	2,941,491
Fund Balance, Beginning of Year	2,989,205	2,989,205	2,561,655	(427,550)
Fund Balance, End of Year	\$ -	\$ -	\$ 2,513,941	\$ 2,513,941

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.