

**RIO GRANDE WATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS**

December 31, 2023



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

RIO GRANDE WATER CONSERVATION DISTRICT
TABLE OF CONTENTS
December 31, 2023

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	6
Governmental Fund Financial Statements:	
Governmental Fund Balance Sheet	7
Reconciliation of Total Governmental Fund Balances to The Statement of Net Position	8
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	10
Proprietary Fund Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements	14
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund	32
Supplementary Information	
Combining Schedules of Proprietary Funds	
Combining Statement of Net Position	33
Combining Statement of Revenues, Expenses, and Changes in Net Position	34
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual	
Special Improvement District #1	35
Special Improvement District #2	36
Special Improvement District #3	37
Special Improvement District #4	38
Special Improvement District #5	39
Special Improvement District #6	40
Other Information	
Estimated Future Obligations - Unaudited Special Improvement District #1	41
Single Audit Section	
Schedule of Expenditures of Federal Awards	42
Notes to the Schedule of Expenditures of Federal Awards	43
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	46
Schedule of Findings and Questioned Costs	49
Schedule of Prior Year Findings	51

INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Rio Grande Water Conservation District
Alamosa, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Rio Grande Water Conservation District (the District), as of and for the year ended December 31, 2023, 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 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 District, as of December 31, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 generally accepted auditing standards and *Government Auditing Standards* 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

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

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 generally accepted auditing standards and *Government Auditing Standards*, 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 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 evaluate 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 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparisons, pension and other postemployment benefits information, as listed in 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.

Supplementary 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 accompanying combining schedules, budgetary comparison schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 combining schedules, budgetary comparison schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Estimated Future Obligations Schedule but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 25, 2024

RIO GRANDE WATER CONSERVATION DISTRICT
BASIC FINANCIAL STATEMENTS

RIO GRANDE WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

	<u>Primary Government</u>		<u>Totals</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS			
Current Assets			
Cash	\$ 2,397,820	\$ 9,805,250	\$ 12,203,070
CD - Estimated Future Obligation	-	3,734,997	3,734,997
Restricted Assets:			
Cash - Bureau of Reclamation	4	-	4
Cash - Study Account	1,865,620	-	1,865,620
Property Taxes Receivable	1,100,274	-	1,100,274
Assessments Receivable, Net of Allowance for Uncollectible Accounts	-	12,315,353	12,315,353
Interfund Balances	1,219,871	(1,219,871)	-
Due From Other Governments	-	-	-
Interest Receivable	1,411	19,954	21,365
Prepaid Expenses	-	-	-
Total Current Assets	<u>6,585,000</u>	<u>24,655,683</u>	<u>31,240,683</u>
Noncurrent Assets			
Capital Assets Not Being Depreciated	15,366,349	-	15,366,349
Capital Assets, Net of Accumulated Depreciation	1,934,515	-	1,934,515
Leased Assets, Net of Accumulated Amortization	10,284,815	-	10,284,815
Total Noncurrent Assets	<u>27,585,679</u>	<u>-</u>	<u>27,585,679</u>
TOTAL ASSETS	<u>34,170,679</u>	<u>24,655,683</u>	<u>58,826,362</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	35,401	829,218	864,619
Unearned Revenue	1,130,118	184,243	1,314,361
Compensated Absences Due Within One Year	-	-	-
Lease Liability - Water Storage Due Within One Year	292,157	-	292,157
Notes Payable, Due Within One Year	-	20,012	20,012
Total Current Liabilities	<u>1,457,676</u>	<u>1,033,473</u>	<u>2,491,149</u>
Long-Term Liabilities			
Lease Liability - Water Storage	10,048,307	-	10,048,307
Notes Payable	-	7,653,875	7,653,875
Accrued Interest Payable	197,594	-	197,594
Accrued Compensated Absences	39,103	-	39,103
Total Long-Term Liabilities	<u>10,285,004</u>	<u>7,653,875</u>	<u>17,938,879</u>
TOTAL LIABILITIES	<u>11,742,680</u>	<u>8,687,348</u>	<u>20,430,028</u>
DEFERRED INFLOWS OF RESOURCES - CURRENT			
Unavailable Revenue- Property Tax	1,100,274	-	1,100,274

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

RIO GRANDE WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

	<u>Primary Government</u>		<u>Totals</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
NET POSITION			
Net Investment in Capital Assets	17,245,215	-	17,245,215
Restricted:			
Bureau of Reclamation	4	-	4
Tabor Reserve	55,000	-	55,000
Unrestricted	4,027,506	15,968,335	19,995,841
TOTAL NET POSITION	<u>\$ 21,327,725</u>	<u>\$ 15,968,335</u>	<u>\$ 37,296,060</u>

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

RIO GRANDE WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
					<u>Primary Government</u>	<u>Business-Type Activities</u>	
Primary Government:							
Governmental Activities:							
General Government	\$ 5,325,210	\$ -	\$ -	\$ -	\$ (5,325,210)	\$ -	\$ (5,325,210)
Conservation of Natural Resources	507,965	465,235	3,705,498	-	3,662,768	-	3,662,768
Bureau of Reclamation Contract	6,795	-	4,644	-	(2,151)	-	(2,151)
Interest on Long-Term Debt	213,600	-	-	-	(213,600)	-	(213,600)
Total Governmental Activities	<u>6,053,570</u>	<u>465,235</u>	<u>3,710,142</u>	<u>-</u>	<u>(1,878,193)</u>	<u>-</u>	<u>(1,878,193)</u>
Business-Type Activities:							
Enterprise Fund	11,957,427	12,337,535	-	651,921	-	1,032,029	1,032,029
Total Business-Type Activities	<u>11,957,427</u>	<u>12,337,535</u>	<u>-</u>	<u>651,921</u>	<u>-</u>	<u>1,032,029</u>	<u>1,032,029</u>
Total Primary Government	<u>\$ 18,010,997</u>	<u>\$12,802,770</u>	<u>\$ 3,710,142</u>	<u>\$ 651,921</u>	<u>(1,878,193)</u>	<u>1,032,029</u>	<u>(846,164)</u>
General Revenues:							
Taxes:							
General Property Taxes and SOT Taxes					1,322,514	-	1,322,514
Interest					18,222	87,683	105,905
Other Revenue					-	112,217	112,217
Building and Administrative Cost Reimbursement					89,685	-	89,685
Total General Revenues					<u>1,430,421</u>	<u>199,900</u>	<u>1,630,321</u>
Transfers					<u>6,271,748</u>	<u>(6,271,748)</u>	<u>-</u>
Change in Net Position					5,823,976	(5,039,819)	784,157
Net Position - Beginning of Year					<u>15,503,749</u>	<u>21,008,154</u>	<u>36,511,903</u>
Net Position - Ending					<u>\$ 21,327,725</u>	<u>\$ 15,968,335</u>	<u>\$ 37,296,060</u>

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

**RIO GRANDE WATER CONSERVATION DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET**

For the Year Ended December 31, 2023

	GENERAL FUND
ASSETS	
Cash	\$ 2,397,820
Restricted Assets:	
Cash - Bureau of Reclamation	4
Cash- Study Account	1,865,620
Property Taxes Receivable	1,100,274
Due From Other Funds	1,288,559
Due From Other Governments	-
Interest Receivable	1,411
Prepaid	-
	-
TOTAL ASSETS	\$ 6,653,688
LIABILITIES	
Accounts Payable	\$ 35,401
Due To Other Funds	68,688
Unearned Grant Revenue	1,130,118
	1,234,207
TOTAL LIABILITIES	1,234,207
DEFERRED INFLOWS OF RESOURCES - CURRENT	
Unavailable Revenue- Property Tax	1,100,274
	1,100,274
FUND BALANCE	
Nonspendable:	
Prepaid Items	-
Restricted: Tabor Reserve	55,000
Committed: Water Study Account	1,865,620
Assigned:	
Designated for Subsequent Year Expenses	232,689
Unassigned	2,165,898
	4,319,207
TOTAL FUND BALANCE	4,319,207
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	\$ 6,653,688

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

RIO GRANDE WATER CONSERVATION DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
December 31, 2023

Total Governmental Fund Balances	\$ 4,319,207
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,585,679
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	.
	<u>(10,577,161)</u>
Net Position of Governmental Activities	<u><u>\$ 21,327,725</u></u>

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

RIO GRANDE WATER CONSERVATION DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended December 31, 2023

	GENERAL FUND
REVENUES	
Taxes	\$ 1,322,514
Intergovernmental Revenue	
Bureau of Reclamation (BOR)	4,644
Grant Revenue	3,705,498
Charges for Water Storage	465,235
Miscellaneous Revenue	
Interest Revenue	18,222
Other Revenue	89,685
TOTAL REVENUES	5,605,798
EXPENDITURES	
General Government	
Salaries and Fringe	542,229
Travel	36,849
Office Expense	95,184
Professional Services	476,113
Other General Government and Special Projects	4,163,136
Conservation of Natural Resources	71,531
Bureau of Reclamation Contract	6,795
Capital Outlay	6,408,162
Debt Service	500,000
TOTAL EXPENDITURES	12,299,999
Excess (Deficiency) of Revenues Over Expenditures	(6,694,201)
OTHER FINANCING SOURCES (USES)	
Transfer from Special Improvement Districts	6,271,748
Excess (Deficiency) of Revenues Over Expenditures	(422,453)
Fund Balance at Beginning of Year	4,741,660
Fund Balance at End of Year	\$ 4,319,207

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

**RIO GRANDE WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023**

Net change in fund balances - total governmental funds \$ (422,453)

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

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

Capital Asset Additions	\$ 6,397,505	
Depreciation Expense	(61,652)	
Amortization Expense	<u>(380,254)</u>	
		5,955,599

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.

Lease Payments	286,400	
Change in Accrued Interest	<u>5,472</u>	
		291,872

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.

Change in compensated absences		<u>(1,042)</u>
--------------------------------	--	----------------

Change in net position of governmental funds \$ 5,823,976

RIO GRANDE WATER CONSERVATION DISTRICT
ENTERPRISE FUNDS
STATEMENT OF NET POSITION
December 31, 2023

	ENTERPRISE FUND
ASSETS	
Current Assets	
Cash	\$ 9,805,250
CD - Estimated Future Obligation	3,734,997
Assessments Receivable, Net of Allowance for Uncollectible Accounts	12,315,353
Interest Receivable	19,954
Due From Other Funds	824,206
Prepaid Expenses	-
TOTAL ASSETS	26,699,760
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Current Liabilities	
Accounts Payable	829,218
Due to Other Funds	2,044,077
Unearned Revenue	184,243
Note Payable	20,012
Total Current Liabilities	3,077,550
Long-Term Liabilities	
Note Payable	7,653,875
Total Long-Term Liabilities	7,653,875
TOTAL LIABILITIES	10,731,425
NET POSITION	
Unrestricted	15,968,335
TOTAL NET POSITION	\$ 15,968,335

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

RIO GRANDE WATER CONSERVATION DISTRICT
ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

	ENTERPRISE FUND
OPERATING REVENUE	
Variable Fees	\$ 7,327,401
Administration Fees	1,021,467
CREP Fees	4,002
Pumping Fees	1,278,344
Groundwater Withdrawal Fees	2,399,760
Sustainability Fees	289,966
Contract Inclusion Fees	16,595
Other Revenues	651,921
	12,989,456
Total operating revenue	12,989,456
OPERATING EXPENSES	
Water Management Expenses	
Water Lease and Storage Expense	2,254,932
CREP	940,632
Forbearance	645,637
Administration	1,124,367
Professional Fees	427,045
Well Purchase Program	5,776,716
Land Fallow Program	222,910
Special Projects	431,543
Other	22,039
	11,845,821
Total operating expenses	11,845,821
Operating income (loss)	1,143,635
NONOPERATING REVENUE	
Other Nonoperating Revenue	112,217
Interest Revenue	87,683
Interest Expense	(111,606)
	1,231,929
Income Before Operating Transfers	1,231,929
OPERATING TRANSFERS	
Transfer In (Out)	(6,271,748)
Change in Net Position	(5,039,819)
Net Position at Beginning of Year	21,008,154
Net Position at End of Year	\$ 15,968,335

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

RIO GRANDE WATER CONSERVATION DISTRICT
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Administration, CREP, and Variable Fees	\$ 13,010,148
Cash Received from Miscellaneous Activities	650,538
Cash Payments for Water Management Expenses	(10,350,123)
Cash Payments for Professional Services	(427,045)
Cash Payments for Administration	(740,566)
	<u>2,142,952</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,142,952</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	
Reimbursement to General Fund	(6,271,748)
	<u>(6,271,748)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(6,271,748)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Payment	(611,606)
Principal Payment	(2,554,134)
Loan Proceeds	7,477,992
Other Receipts	112,217
	<u>4,424,469</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>4,424,469</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Interest income	87,683
	<u>87,683</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>87,683</u>
Net Increase (Decrease) in Cash and Cash Equivalents	383,356
Cash and Cash Equivalents, Beginning of Year	12,656,891
Cash and Cash Equivalents, End of Year	<u>\$ 13,040,247</u>
OPERATING INCOME (LOSS)	\$ 1,143,635
Adjustments to Reconcile Operating Income to Net Cash Provided (used) by Operating Activities:	
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	651,582
(Increase) Decrease in Prepaid Expenses	5,701
(Increase) Decrease in Due From Other Funds	(824,206)
(Increase) Decrease in Interest Receivable	(17,978)
Increase (Decrease) in Accounts Payable related to Operating Activities	(123,154)
Increase (Decrease) in Deferred Revenue	184,243
Increase (Decrease) in Due to RGWCD	1,123,129
	<u>1,123,129</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,142,952</u>

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

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Rio Grande Water Conservation 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*.

REPORTING ENTITY

Primary Government

The District was created by HB No. 1536 during the 1967 legislative assembly. The District is governed by a board of nine directors: two from Alamosa, Conejos, Rio Grande, and Saguache counties, and one from Mineral County. Conserving water of the Rio Grande River Basin for beneficial use is the primary function of the District.

In October 2006, Subdistrict #1 was approved by the board and District Court, Water Division No. 3, State of Colorado. In 2010 the Court approved the Plan of Water Management of which the objective is to cause groundwater levels in the Unconfined Aquifer of the Closed Basin to recover, and then to maintain a sustainable irrigation water supply in the Unconfined Aquifer with due regard for the daily, seasonal, and longer term demands on the aquifer and to protect senior surface water rights and avoid interference with Colorado's obligations under the Rio Grande Compact. To achieve these goals, reducing and managing overall groundwater consumption is essential. Only the administrative fee can be used for reimbursement of formation costs.

In March 2016, Subdistrict #2 was approved by the board and District Court, Water Division No. 3, State of Colorado. In 2018 the Court approved the Plan of Water Management of which the objective is to provide a water management alternative to individual plans for augmentation or state-imposed regulations that limit the use of wells within the Subdistrict; that is a system of self-regulation using economic-based incentives that promotes responsible groundwater use and management and ensures protection of senior surface water rights. To achieve these goals, reducing and managing the overall groundwater consumptions is essential. Only the administrative fee can be used for the reimbursement of formation costs.

In March 2017, Subdistrict #3 was approved by the board and District Court, Water Division No. 3, State of Colorado. In 2018 the Court approved the Plan of Water Management of which the objective is to provide a water management alternative to individual plans for augmentation or state-imposed regulations that limit the use of wells within the Subdistrict; that is a system of self-regulation using economic-based incentives that promote responsible groundwater use and management that ensures protection of senior surface water rights. To achieve these goals, reducing and managing the overall groundwater consumptions is essential. Only the administrative fee can be used for the reimbursement of formation costs.

In July 2017, Subdistrict #4 was approved by the board and District Court, Water Division No. 3, State of Colorado. In 2020 the Court approved the Plan of Water Management of which the objective is to provide a water management alternative to individual plans for augmentation or state-imposed regulations that limit the use of wells within the Subdistrict; that is a system of self-regulation using economic-based incentives that promote responsible groundwater use and management and ensures protection of senior water rights.

In December of 2017, Subdistrict #5 was approved by the board and District Court, Water Division No. 3, State of Colorado. In 2020, the court approved the Plan of Water Management of which the objective is to provide a water management alternative to individual plans for augmentation or state-imposed regulations that limit the use of wells within the Subdistrict; that is a system of self-regulation using economic-based incentives that promote responsible groundwater use and management and ensures protection of senior surface water rights.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

In October 2018, Subdistrict #6 was approved by the board and District Court, Water Division No. 3, State of Colorado. In 2019 the Court approved the Plan of Water Management of which the objective is to provide a water management alternative to individual plans for augmentation or state-imposed regulations that limit the use of wells within the Subdistrict; that is a system of self-regulation using economic-based incentives that promote responsible groundwater use and management and ensures protection of senior surface water rights. To achieve these goals, reducing and managing the overall groundwater consumption is essential. Only the administrative fee can be used for the reimbursement of formation costs.

As the Subdistricts are formed and administrative fees are collected, the District will formulate a plan to reimburse the General Fund.

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 taxes and intergovernmental revenues support governmental activities and fees paid by water users support business type 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 with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- 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.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

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. 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, claims, and judgments, are recorded only when payment is due.

The District reports the following major governmental fund:

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government.

The District reports the following major enterprise fund:

- The **Enterprise Fund** accounts for fees and expenses for operating, financing, and maintaining the Subdistricts.

Certain eliminations have been made as prescribed by the GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated.

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 proprietary funds include the Special Improvement District's 1 through 6 (Subdistricts), used to account for the activities of the Subdistricts. Sources of revenue consist of administration fees, Conservation Reserve Enhancement Program (CREP) fees, variable fees, pumping fees, and groundwater withdrawal fees assessed on landowners within the Subdistricts.

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.
- 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 non-operating revenues and expenses.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

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.

Restricted Cash

The District keeps a bank account for money received from the Bureau of Reclamation. The money in this account is to be used only for expenses approved by the Bureau of Reclamation. The District also keeps a bank account for money received for studies of water resources. See Note 4 for more information regarding the Study Account.

Receivables/Payables To/From Other Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as “Due To/From Other Funds.”

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 land, buildings, and vehicles, are reported in the applicable governmental activities columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and a life of more than one year. 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 following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structures	30-50
Equipment & Vehicles	5-10

Leases

Lessee: The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line bases over its useful life.

Key estimate and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease terms, and (3) lease payments.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the leases. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a measurement of its lease and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Compensated Absences

Employees of the District are entitled to paid vacation depending on the length of service and other factors. The employees are also entitled to sick leave. Sick leave will vest according to a formula based on the sick leave hours that have been accumulated and the terms of termination. Accrued vacation and the vested portion of sick leave have been accrued in the amount of \$39,103 at December 31, 2023.

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 each of the five counties that comprise the District: Alamosa, Conejos, Mineral, Rio Grande, and Saguache. The respective County Treasurers remit monthly receipts to the District; property tax revenue is recognized when received by the County Treasurer. The 2023 property tax levy due January 1, 2024, has been recorded as a receivable and a corresponding deferred inflow of resources in the financial statements.

Assessments – Special Improvement Districts

Assessments attach as an enforceable lien on property as of January 1 each year. The assessments are payable in two installments on February 28 and June 15 or in full on April 30. Subdistrict #1 assesses fees on lands irrigated by groundwater and the pumping and use of groundwater. Subdistricts #2 through #6 assess fees based on individual wells within the boundaries of the respective Subdistrict. Fees are as follows:

- Subdistrict #1
 - Administrative fee of \$3.00 per irrigable acre
 - Conservation Reserve Enhancement Program (CREP) fee was suspended for 2023.
 - Variable Fee of \$150 per acre foot on the net of the surface water owned less the groundwater pumped
- Subdistrict #2
 - Administrative fee of \$414.02 per active well and \$207.01 per inactive well
 - Pumping fee of \$60.00 per acre foot sprinkler application, \$43.00 per acre foot flood application for the Rio Grande Alluvial and a pumping fee of \$105 per acre foot sprinkler application, \$76 per acre foot flood application for the Upper Rio Grande
- Subdistrict #3
 - Administrative fee of \$420.00 per active well and \$210.00 per inactive well
 - Groundwater withdrawal fee of \$21.35 per acre foot sprinkler application, \$15.43 per acre foot flood application, and \$5.00 per acre foot sustainability fee

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

- Subdistrict #4
 - Administrative Fee of \$610.09 per active well and inactive well
 - Groundwater Withdrawal Fee of \$8.00 per acre foot stream impact fee and \$17.67 per acre foot sustainability fee

- Subdistrict #5
 - Administrative Fee of \$655.50 per active well and \$327.75 per inactive well
 - Pumping Fee of \$27.86 per acre foot sprinkler, \$20.14 per acre foot flood application

- Subdistrict #6
 - Administrative Fee of \$277.50 per active well and \$138.75 per inactive well
 - Groundwater Withdrawal Fee of \$24.24 per acre foot sprinkler application, \$17.52 per acre foot flood application

The aforementioned fees are based on several variables and are subject to an appeals process by the landowner. The appeal can cause an adjustment to revenue.

Expenditures – Plan of Water Management

Special Improvement District #1 expends funds to implement the following:

- A program of temporary fallowing to remove sufficient acreage from production to achieve reduction of water consumption.
- Economic incentives for the permanent removal of lands from irrigation.
- Replacement of stream depletions and/or increases in groundwater recharge.
- Infrastructure improvements to maximize the diversion and recharge of water.
- Purchase and retirement of irrigated lands and/or water rights.
- Education and research into water conservation, water use efficiency, improved water management and public education.
- Improvement and operation of ditches, headgates, and recharge facilities to make the best use of available water and to improve groundwater recharge.

Special Improvement Districts #2, #3, #4, #5, and #6 expend funds to implement the following:

- Calculation and replacement or remedy of injurious stream depletions.
- Purchase, rent, lease and/or retire irrigated lands and/or purchase, rent and/or lease water rights and/or reservoir storage, either inside or outside the exterior boundaries of the Subdistrict.
- A program of temporary or permanent fallowing, including economic incentives, to remove acreage from production to achieve reduction in groundwater consumption.
- Economic incentives for the permanent removal of lands from irrigation.
- Economic incentives for Subdistrict members or non-Subdistrict members to provide replacement water, land, or facilities.
- Education and research into water conservation, water use efficiency, improved water management, and agricultural water use.
- Improvement and operation of ditches and headgates, to make the best use of available water.
- Data collection and analysis programs to improve RGDSS predictions, further refine the calculation of stream depletions caused by groundwater withdrawals.
- In cooperation with the USDA-NRCS and others to develop annual water supply forecasts based on SNOTEL and snow course data to include development of new improved technologies.
- Determine historical stream flow volumes based on paleo dendrochronology or other methods to correlate precipitation to rim inflows.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

Deferred Inflows 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.

Encumbrances

The District does not record purchase orders in the accounting system. 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.

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.
- *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 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 five categories:

- *Nonspendable Fund Balance*- are amounts that cannot be spent because they are not in spendable form- such as inventory and prepaid insurance.
- *Restricted Fund Balance*- are 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*- are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Directors, the highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removed 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.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

- *Assigned Fund Balance*- are 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*- are 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.

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.

New Accounting Pronouncements

During fiscal year 2023, the Town adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangement (SBITA)*, that establishes that a SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. This standard requires governmental entities to record a subscription liability and an intangible right-to-use subscription asset for those contracts for the subscription term. This standard does not have a material effect on the financial statements of the District.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Rio Grande Water Conservation District follows the procedures set forth in the Colorado Local Budget Law when preparing annual budgets for each fund. Budget procedures include:

- 1.) Preparation of budget documents by administrative staff shall be submitted to the Board.
- 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), unless otherwise noted on the schedule. The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The District did not adopt supplemental appropriations during 2023. All budget amounts presented reflect the original budget and the final amended budget if applicable.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

Stewardship

Expenditures in the General Fund exceeded appropriations during 2023 by \$275,819. This may be a violation of state statute.

NOTE 3 CASH AND DEPOSITS

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 102% of the aggregate uninsured deposits. All deposits in 2023 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

Custodial Credit Risk

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 December 31, 2023, \$15,598,718 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 STUDY ACCOUNT

During 1995 the District was awarded a refund of certain costs and fees arising from its defense of water interests of the San Luis Valley. The amount awarded was \$1,802,133 from which \$136,906 was used to repay the remaining balance of money borrowed to finance its defense. The Board of Directors, by resolution, established the Rio Grande Water Conservation District Water Study Fund. Moneys from principal and future earnings can only be used for certain purposes. These purposes include the following:

- 5.) Studies of the water resources of the San Luis Valley.
- 6.) Technical services to assist in the defense of the use of water resources of the San Luis Valley.
- 7.) Legal services required in the defense of the water resources of the San Luis Valley.

The District has determined that the refund constitutes a damage award under Article X Section 20 of the Colorado Constitution and is exempt from revenue limitations.

At December 31, 2023, the remaining balances of the award are as follows:

Cash in Bank	\$ 208,704
Certificate of Deposit	<u>1,656,916</u>
	<u><u>\$ 1,865,620</u></u>

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

During the year total interest earned on the account was \$10,611. There were no disbursements for the year ended December 31, 2023.

NOTE 5 ASSESSMENTS RECEIVABLE, NET

Subdistrict #1 assessed fees upon approximately 166,328 irrigable acres within its boundaries in Alamosa, Rio Grande, Saguache Counties, and on the Colorado State Land Board on November 28, 2022. Subdistrict #1 is still refining the assessment computation and has estimated an uncollectible amount of \$0. Assessments receivable includes the 2022 assessments as follows:

SubDistrict #1	
Variable Fees	\$ 7,300,461
Administrative Fees	498,519
	\$ 7,798,980

Subdistrict #2 assessed fees upon approximately 270 wells within its boundaries in Alamosa and Rio Grande Counties on November 22, 2022. Subdistrict #2 is still refining the assessment computation and has estimated an uncollectible amount of \$0. Assessments receivable consist of the following fees:

SubDistrict #2	
Pumping Fees	\$ 745,163
Administrative Fees	80,899
	\$ 826,062

Subdistrict #3 assessed fees upon approximately 166 wells within its boundaries in Conejos County on December 1, 2022. Subdistrict #3 is still refining the assessment computation and has estimated an uncollectible amount of \$0. Assessments receivable consist of the following fees:

SubDistrict #3	
Previous year uncollected assessments	\$ 6,847
Ground Water Withdrawal Fees	488,175
Administrative Fees	60,694
Sustainability Fees	137,057
	\$ 692,773

Subdistrict #4 assessed fees upon approximately 158 wells within its boundaries in Saguache County on November 29, 2022. Subdistrict #4 is still refining the assessment computation and has estimated an uncollectible amount of \$0. Assessments receivable consist of the following fees:

SubDistrict #4	
Previous year uncollected assessments	\$ 37,001
Stream Impact Fees	69,229
Sustainability Fees	152,909
Administrative Fees	84,192
	\$ 343,331

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

Subdistrict #5 assessed fees upon approximately 232 wells within its boundaries in Saguache County on November 29, 2022. Subdistrict #5 is still refining the assessment computation and has estimated an uncollectible amount of \$0. Assessments receivable consist of the following fees:

SubDistrict #5		
Previous year uncollected assessments	\$	12,989
Pumping Fee		533,506
Administrative Fees		133,394
		679,889
		\$ 679,889

Subdistrict #6 assessed fees upon approximately 543 wells within its boundaries in Alamosa and Rio Grande Counties on November 22, 2022. Subdistrict #6 is still refining the assessment computation and has estimated an uncollectible amount of \$0. Assessments receivable consist of the following fees:

SubDistrict #6		
Previous year uncollected assessments	\$	41,057
Ground Water Withdrawal Fees		1,803,530
Administrative Fees		129,731
Prepaid Fees		-
		1,974,318
		\$ 1,974,318

The total assessment receivable net of allowance for uncollectible accounts for all Subdistrict's totaled \$12,315,353. Previous year balances are being carried forward until collected, liens can potentially be put on the property if not collected. We have included the prepaid fees as well due to the income being for 2023.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

The District reports interfund balances between the District and Subdistrict. The balances result from time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date. Interfund receivable and payable balances at December 31, 2023 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Special Improvement District #1	\$ 337,804
General Fund	Special Improvement District #2	192,433
General Fund	Special Improvement District #3	107,052
General Fund	Special Improvement District #4	251,485
General Fund	Special Improvement District #5	257,223
General Fund	Special Improvement District #6	142,562
Special Improvement District #6	Special Improvement District #3	13,249
Special Improvement District #6	General Fund	68,688
Special Improvement District #6	Special Improvement District #2	742,269
		\$ 2,112,765
		\$ 2,112,765

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

Interfund Transfers

Transfer In	Transfer Out	Amount
General Fund	Special Improvement District #2	\$ 742,269
General Fund	Special Improvement District #3	2,187,210
General Fund	Special Improvement District #4	2,600,000
General Fund	Special Improvement District #6	742,269
		\$ 6,271,748

The Special Improvement Districts purchased properties for the retirement of water rights. They are unable to hold capital assets under the individual subdistricts, therefore the properties were transferred to the District.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 9,094,600	\$ 4,787,210	\$ -	\$ 13,881,810
Water Rights	-	1,484,539	-	1,484,539
Total capital assets not being depreciated	<u>9,094,600</u>	<u>6,271,749</u>	<u>-</u>	<u>15,366,349</u>
Capital assets being depreciated				
Structures	2,331,014	125,756	-	2,456,770
Equipment and Vehicles	194,040	-	-	194,040
Office Furniture	129,045	-	-	129,045
Total capital assets being depreciated	<u>2,654,099</u>	<u>125,756</u>	<u>-</u>	<u>2,779,855</u>
Less accumulated depreciation for:				
Structures	509,485	44,848	-	554,333
Equipment and Vehicles	161,072	8,845	-	169,917
Office Furniture	113,129	7,960	-	121,089
Total accumulated depreciation	<u>783,686</u>	<u>61,653</u>	<u>-</u>	<u>845,339</u>
Total capital assets being depreciated, net	<u>1,870,413</u>	<u>64,103</u>	<u>-</u>	<u>1,934,516</u>
Leased assets being amortized				
Water Storage	11,407,621	-	-	11,407,621
Total lease assets being amortized	<u>11,407,621</u>	<u>-</u>	<u>-</u>	<u>11,407,621</u>
Less accumulated amortization for:				
Water Storage	742,552	380,254	-	1,122,806
Total accumulated amortization	<u>742,552</u>	<u>380,254</u>	<u>-</u>	<u>1,122,806</u>
Total leased assets being depreciated, net	<u>10,665,069</u>	<u>(380,254)</u>	<u>-</u>	<u>10,284,815</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL AND LEASED ASSETS, NET	<u>\$ 21,630,082</u>	<u>\$ 5,955,598</u>	<u>\$ -</u>	<u>\$ 27,585,680</u>

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

Governmental activities:	
General Government	<u>\$ 441,907</u>
Total depreciation/amortization expense	<u>\$ 441,907</u>

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

NOTE 8 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Leases	\$10,626,864	\$ -	\$ 286,400	\$10,340,464	\$ 292,157
Compensated Absences	38,061	1,042	-	39,103	-
GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES					
	<u>\$10,664,925</u>	<u>\$ 1,042</u>	<u>\$ 286,400</u>	<u>\$10,379,567</u>	<u>\$ 292,157</u>

Leases

The District entered into a lease agreement with the San Luis Valley Irrigation District for water storage in the Rio Grande Reservoir on July 16, 2021. The lease is for 30 years with the option to renew for an additional 30 years at the end of the initial 30-year term. The payments are not subject to adjustment.

The future minimum payments are as follows:

	Principal	Interest	Total
2024	\$ 292,157	\$ 207,843	\$ 500,000
2025	298,029	201,971	500,000
2026	304,019	195,981	500,000
2027	310,130	189,870	500,000
2028	316,364	183,636	500,000
2029-2033	1,679,798	820,202	2,500,000
2034-2038	1,855,542	644,458	2,500,000
2039-2043	2,049,673	450,327	2,500,000
2044-2048	2,264,114	235,886	2,500,000
2049-2050	970,638	29,362	1,000,000
Total	<u>\$ 10,340,464</u>	<u>\$ 3,159,536</u>	<u>\$ 13,500,000</u>

The following summarizes the SubDistrict's long-term liability for the year ended December 31, 2023:

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023	Due Within One Year
BUSINESS-TYPE ACTIVITIES:					
Note Payable - Subdistrict #3	\$ 213,052	\$ -	\$ 17,157	\$ 195,895	\$ 20,012
Note Payable - Subdistrict #5	2,536,977	-	2,536,977	-	-
CWCB Loan - SubDistrict #3	-	1,991,130	-	1,991,130	-
CWCB Loan - SubDistrict #4	-	2,610,046	-	2,610,046	-
CWCB Loan - SubDistrict #5	-	2,876,816	-	2,876,816	-
BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES					
	<u>\$ 2,750,029</u>	<u>\$ 7,477,992</u>	<u>\$ 2,554,134</u>	<u>\$ 7,673,887</u>	<u>\$ 20,012</u>

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

SubDistrict #3 purchased a piece of land for \$392,500 on July 30, 2021. The land was transferred to the General Fund, but SubDistrict #3 holds the obligation of the related note. The agreement is between SubDistrict #3 and the seller of the land. A down payment of \$154,900 was made for the land bringing the total principal balance of the loan to \$237,500 with an interest rate of 7%. Payments are to be made monthly in the amount of \$2,758. Interest expense relating to the loan was \$14,428 in 2023. Final payment is due in July 2031.

The annual debt service for the loan is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20,012	\$ 13,079	\$ 33,091
2025	21,459	11,632	33,091
2026	23,010	10,081	33,091
2027	24,674	8,417	33,091
2028	26,457	6,634	33,091
2029-2031	<u>80,283</u>	<u>7,959</u>	<u>88,242</u>
Total	<u>\$ 195,895</u>	<u>\$ 57,802</u>	<u>\$ 253,697</u>

SubDistrict #5 financed the purchase of property in 2022 for \$2,550,000, 7.0% interest adjusted monthly by the Wall Street Journal prime rate and a balloon payment due July 31, 2025. Monthly payments were \$16,965. This note was paid in full during 2023 with the proceeds from a CWCB loan.

Colorado Water Conservation Board Loans Payable

SubDistricts #3 obtained a \$2,580,550, 2.5% interest, 30-year loan in 2023 to provide financing for the Alpha Hay Farms Augmentation project. The loan is secured by water activity revenue of the SubDistrict. Loan proceeds are requested as funds are spent. The first draw on this loan occurred during 2023 and the balance at December 31, 2023 was \$1,991,130. Payment initiation and maturity dates will be determined upon substantial project completion. The District has five years from the effective date of the loan to complete the project. There is no payment schedule available as of December 31, 2023.

SubDistricts #4 obtained a \$3,490,560, 2.1% interest, 40-year loan in 2023 to provide financing for the Peachwood Farms Augmentation and Sustainability Project. The loan is secured by water activity revenue of the SubDistrict. Loan proceeds are requested as funds are spent. The first draw on this loan occurred during 2023 and the balance at December 31, 2023 was \$2,610,046. Payment initiation and maturity dates will be determined upon substantial project completion. The District has five years from the effective date of the loan to complete the project. There is no payment schedule available as of December 31, 2023.

SubDistricts #5 obtained a \$4,892,440, 1.2% interest, 30-year loan in 2021 to provide financing for Saguache Pipeline project. The original promissory note was amended in 2023 to increase the loan amount to \$6,080,200 with the same terms and conditions. The loan is secured by water activity revenue of the SubDistrict. Loan proceeds are requested as funds are spent. The first draw on this loan occurred during 2023 and the balance at December 31, 2023 was \$2,876,816. Payment initiation and maturity dates will be determined upon substantial project completion. The District has five years from the effective date of the loan to complete the project. There is no payment schedule available as of December 31, 2023.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

NOTE 9 COOPERATIVE AGREEMENT WITH BUREAU OF RECLAMATION

Rio Grande Water Conservation District entered into a cooperative agreement with the United States Department of the Interior's Bureau of Reclamation on February 6, 1989. The agreement stipulates that the District is to assist the Bureau in the operation and maintenance of Closed Basin Division facilities and to participate with the Bureau in the planning, scheduling, and decision-making associated with the Closed Basin Division.

Under the provisions of the agreement, the Bureau will reimburse the District for costs incurred in the performance of the agreement. The Bureau advances moneys to the District based on pre-approved quarterly work schedules. As the District incurs Bureau approved costs, earned revenue is recognized. The portion of the moneys advanced by the Bureau that have not been recognized as earned are classified as unearned revenue.

Bureau of Reclamation Agreement Revenues as of December 31, 2023, are as follows:

(Receivable)/Unearned Revenue, beginning of year	\$ 4,644
Reimbursement and Advances	-
Earned Revenue	<u>(4,640)</u>
(Receivable)/Unearned Revenue, end of year	<u><u>\$ 4</u></u>

The agreement was terminated in 2023, and the year was spent finalizing activities with the Bureau of Reclamation.

NOTE 10 PENSION

Defined Contribution Plan

All eligible District employees, participate in the Nationwide Governmental 401(a) Plan, a defined contribution plan, authorized by state statute. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Employees are eligible to participate after one year of full-time permanent employment, and participation is mandatory. Employees are 100% vested after one year of service.

The District contributed the required 6% of the compensation of each employee for 2023. Employees are not allowed to make contributions to the plan. For the year ended December 31, 2023, the District's contributions were calculated using the base salary amount of \$798,145 and the District and the Special Improvement Districts recorded expenditures amounting to \$51,100, of which \$27,151 is recorded in the District, \$9,593, \$2,499, \$2,372, \$2,379, \$3,861, and \$3,245 are recorded in Special Improvements Districts #1, #2, #3, #4, #5, and #6, respectively.

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.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

Section 457 Plan Defined Contribution Plan

The District also offers its employees an additional voluntary deferred compensation plan created in accordance with Internal Revenue Code 457, administered by Nationwide Retirement Solutions.

The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies. The District has no other liability other than to make the required monthly contributions.

NOTE 11 RELATED PARTY TRANSACTIONS

The SubDistricts responsibilities include the creation of a plan of water management and to work in conjunction with the Rio Grande Conservation District. The SubDistricts board of managers are made up of landowners or legal representatives of the landowners within their individual boundaries. As part of the plans of water management for the SubDistricts, they have implemented assessment fees to carry out the plan as well as various voluntary conservation programs to incentivize the reduction of irrigation water use and restore the critical balance between supply and demand. In the ordinary course of business, the SubDistrict's have and expect to continue to have significant collection of assessment fees and significant payments for conservation program participation with its appointed board members. In the opinion of management, computation of assessments and conservation participation were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not present any unfavorable features to the SubDistrict's.

NOTE 12 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 years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3% of fiscal year spending. This Emergency Reserve has been presented as a reservation of fund balance in the General Fund where applicable. The entity is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 13 COMMITMENTS AND CONTINGENCIES

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.

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

Senate Bill 22-028

During 2022, the District was awarded \$29,500,000 of Senate Bill 2022-028 America Rescue Plan Act funds passed through the Colorado Department of Natural Resources and Colorado Water Conservation Board for the Groundwater Sustainability in the Rio Grande and Republican River Basins. The funding will expire on December 31, 2026. The first expenditure of this program occurred during 2023. The District received \$4.7 million in reimbursements from this program and finalized \$3,664,990 in related projects in 2023.

RIO GRANDE WATER CONSERVATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund.

**RIO GRANDE WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

GENERAL FUND

For the Year Ended December 31, 2023

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES				
Taxes	\$ 1,279,686	\$ 1,279,223	\$ 1,322,514	\$ 43,291
Intergovernmental Revenue				
Bureau of Reclamation (BOR)	-	-	4,644	4,644
Grant Revenues	-	4,772,204	3,705,498	(1,066,706)
Charges for Water Storage	-	-	465,235	465,235
Miscellaneous Revenue				
Interest Revenue	-	-	18,222	18,222
Other Revenue	182,500	182,500	89,685	(92,815)
TOTAL REVENUES	<u>1,462,186</u>	<u>6,233,927</u>	<u>5,605,798</u>	<u>(628,129)</u>
EXPENDITURES				
General Government				
Salaries and Fringe	483,385	483,385	542,229	(58,844)
Travel	12,500	12,500	36,849	(24,349)
Supplies	122,084	122,084	95,184	26,900
Professional Services	1,021,000	1,021,000	476,113	544,887
Other General Government and Special Projects	86,000	86,000	4,163,136	(4,077,136)
Conservation of Natural Resources	212,253	212,253	71,531	140,722
Bureau of Reclamation Contract	-	-	6,795	(6,795)
Capital Outlay	257,662	10,086,958	6,408,162	3,678,796
Debt Service	-	-	500,000	(500,000)
TOTAL EXPENDITURES	<u>2,194,884</u>	<u>12,024,180</u>	<u>12,299,999</u>	<u>(275,819)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(732,698)</u>	<u>(5,790,253)</u>	<u>(6,694,201)</u>	<u>(903,948)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Fixed Assets	-	-	-	-
Transfer In (Out)	500,000	6,687,210	6,271,748	(415,462)
TOTAL OTHER FINANCING SOURCES (USES)	<u>500,000</u>	<u>6,687,210</u>	<u>6,271,748</u>	<u>(415,462)</u>
Change in Fund Balance	(232,698)	896,957	(422,453)	(1,319,410)
Fund Balance at Beginning of Year	<u>4,719,448</u>	<u>4,719,448</u>	<u>4,741,660</u>	<u>22,212</u>
Fund Balance at End of Year	<u>\$ 4,486,750</u>	<u>\$ 5,616,405</u>	<u>\$ 4,319,207</u>	<u>\$ (1,297,198)</u>

Notes to Required Supplementary Information

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

RIO GRANDE WATER CONSERVATION DISTRICT

SUPPLEMENTARY INFORMATION

RIO GRANDE WATER CONSERVATION DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF NET POSITION
December 31, 2023

	SPECIAL IMPROVEMENT DISTRICT #1	SPECIAL IMPROVEMENT DISTRICT #2	SPECIAL IMPROVEMENT DISTRICT #3	SPECIAL IMPROVEMENT DISTRICT #4	SPECIAL IMPROVEMENT DISTRICT #5	SPECIAL IMPROVEMENT DISTRICT #6	TOTAL ENTERPRISE FUND
ASSETS							
Current Assets							
Cash	\$ 4,959,610	\$ 699,098	\$ 1,872,361	\$ 304,966	\$ 214,692	\$ 1,754,523	\$ 9,805,250
CD - Estimated Future Obligation	3,734,997	-	-	-	-	-	3,734,997
Assessments Receivable, Net of Allowance Uncollectible Accounts	7,798,980	826,062	692,773	343,331	679,889	1,974,318	12,315,353
Interest Receivable	19,954	-	-	-	-	-	19,954
Due from Other Funds	-	-	-	-	-	824,206	824,206
TOTAL ASSETS	16,513,541	1,525,160	2,565,134	648,297	894,581	4,553,047	26,699,760
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Current Liabilities							
Accounts Payable	545,905	92,243	31,766	4,153	2,599	152,552	829,218
Due to Other Funds	337,804	934,702	120,301	251,485	257,223	142,562	2,044,077
Unearned Revenue	-	13,749	16,569	-	-	153,925	184,243
Note Payable	-	-	20,012	-	-	-	20,012
Total Current Liabilities	883,709	1,040,694	188,648	255,638	259,822	449,039	3,077,550
Long-Term Liabilities							
Note Payable	-	-	2,167,013	2,610,046	2,876,816	-	7,653,875
Total Long-Term Liabilities	-	-	2,167,013	2,610,046	2,876,816	-	7,653,875
TOTAL LIABILITIES	883,709	1,040,694	2,355,661	2,865,684	3,136,638	449,039	10,731,425
NET POSITION							
Unrestricted	15,629,832	484,466	209,473	(2,217,387)	(2,242,057)	4,104,008	15,968,335
TOTAL NET POSITION	\$ 15,629,832	\$ 484,466	\$ 209,473	\$ (2,217,387)	\$ (2,242,057)	\$ 4,104,008	\$ 15,968,335

RIO GRANDE WATER CONSERVATION DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

	SPECIAL IMPROVEMENT DISTRICT #1	SPECIAL IMPROVEMENT DISTRICT #2	SPECIAL IMPROVEMENT DISTRICT #3	SPECIAL IMPROVEMENT DISTRICT #4	SPECIAL IMPROVEMENT DISTRICT #5	SPECIAL IMPROVEMENT DISTRICT #6	TOTAL ENTERPRISE FUND
OPERATING REVENUE							
Variable Fees	\$ 7,327,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,327,401
Administration Fees	519,431	91,825	62,370	83,997	132,311	131,533	1,021,467
CREP Fees	4,002	-	-	-	-	-	4,002
Pumping Fees	-	748,608	-	-	529,736	-	1,278,344
Groundwater Withdrawal Fees	-	-	482,813	69,312	-	1,847,635	2,399,760
Sustainability Fees	-	-	137,057	152,909	-	-	289,966
Contract Inclusion Fees	13,000	1,000	-	395	1,000	1,200	16,595
Other Revenue	501,000	-	342	135,139	4	15,436	651,921
Total operating revenue	8,364,834	841,433	682,582	441,752	663,051	1,995,804	12,989,456
OPERATING EXPENSES							
Water Management Expenses							
Water Lease and Storage Expense	729,866	479,884	114,675	-	192,885	737,622	2,254,932
CREP	940,632	-	-	-	-	-	940,632
Forbearance	-	160,456	120,362	-	-	364,819	645,637
Administration	518,808	69,545	83,875	200,028	145,957	106,154	1,124,367
Professional Fees	80,780	55,535	81,448	19,186	83,264	106,832	427,045
Well Purchase Program	5,776,716	-	-	-	-	-	5,776,716
Land Fallow Program	222,910	-	-	-	-	-	222,910
Special Projects	19,800	-	-	1,373	408,750	1,620	431,543
Other	22,039	-	-	-	-	-	22,039
Total operating expenses	8,311,551	765,420	400,360	220,587	830,856	1,317,047	11,845,821
Operating income (loss)	53,283	76,013	282,222	221,165	(167,805)	678,757	1,143,635
NONOPERATING REVENUE							
Other Nonoperating Revenue	-	-	112,217	-	-	-	112,217
Interest Revenue	67,990	670	4,127	864	3,986	10,046	87,683
Interest Expense	-	-	(14,319)	-	(97,287)	-	(111,606)
TOTAL NONOPERATING REVENUE	67,990	670	102,025	864	(93,301)	10,046	88,294
OPERATING TRANSFERS							
Transfer to In/Out	-	(742,269)	(2,187,210)	(2,600,000)	-	(742,269)	(6,271,748)
Change in Net Position	121,273	(665,586)	(1,802,963)	(2,377,971)	(261,106)	(53,466)	(5,039,819)
Net Position at Beginning of Year	15,508,559	1,150,052	2,012,436	160,584	(1,980,951)	4,157,474	21,008,154
Net Position at End of Year	\$ 15,629,832	\$ 484,466	\$ 209,473	\$ (2,217,387)	\$ (2,242,057)	\$ 4,104,008	\$ 15,968,335

RIO GRANDE WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
SPECIAL IMPROVEMENT DISTRICT #1
For the Year Ended December 31, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
OPERATING REVENUE				
Variable Fees	\$ 8,325,479	\$ 6,816,000	\$ 7,327,401	\$ 511,401
Administration Fees	413,500	413,500	519,431	105,931
CREP Fees	-	-	4,002	4,002
Inclusion Contract Fees	-	-	13,000	13,000
Other Revenue	130,000	130,000	501,000	371,000
Total operating revenue	8,868,979	7,359,500	8,364,834	1,005,334
OPERATING EXPENSES				
Water Management Expenses				
Water Lease	8,499,265	6,999,265	729,866	6,269,399
CREP	1,897,767	1,897,767	940,632	957,135
Administration	535,700	535,700	518,808	16,892
Professional Fees	-	-	80,780	(80,780)
Well Purchase Program	-	-	5,776,716	(5,776,716)
Land Fallow Program	-	-	222,910	(222,910)
Special Projects	-	-	19,800	(19,800)
Other	-	-	22,039	(22,039)
Total operating expenses	10,932,732	9,432,732	8,311,551	1,121,181
Operating income (loss)	(2,063,753)	(2,073,232)	53,283	2,126,515
NONOPERATING REVENUE				
Interest Revenue	43,000	43,000	67,990	24,990
Total nonoperating revenues	43,000	43,000	67,990	24,990
Change in Net Position - Budget Basis	(2,020,753)	(2,030,232)	121,273	2,151,505
Net Position at Beginning of Year	6,228,367	6,228,367	15,508,559	9,280,192
Net Position at End of Year	\$ 4,207,614	\$ 4,198,135	\$ 15,629,832	\$ 11,431,697

RIO GRANDE WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
SPECIAL IMPROVEMENT DISTRICT #2
For the Year Ended December 31, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
OPERATING REVENUE				
Administration Fees	\$ 76,500	\$ 79,330	\$ 91,825	\$ 12,495
Pumping Fees	605,000	605,000	748,608	143,608
Contract Inclusion Fees	500	1,000	1,000	-
Other Revenue	-	-	-	-
Total operating revenue	<u>682,000</u>	<u>685,330</u>	<u>841,433</u>	<u>156,103</u>
OPERATING EXPENSES				
Water Management Expenses				
Water Lease and Storage	935,000	684,920	479,884	205,036
Forbearance	-	-	160,456	(160,456)
Administration	66,470	71,693	69,545	2,148
Professional Fees	62,500	52,800	55,535	(2,735)
Special Projects	-	-	-	-
Total operating expenses	<u>1,063,970</u>	<u>809,413</u>	<u>765,420</u>	<u>43,993</u>
Operating income (loss)	<u>(381,970)</u>	<u>(124,083)</u>	<u>76,013</u>	<u>200,096</u>
NONOPERATING REVENUE				
Interest Revenue	<u>1,000</u>	<u>1,000</u>	<u>670</u>	<u>(330)</u>
Total nonoperating revenues	<u>1,000</u>	<u>1,000</u>	<u>670</u>	<u>(330)</u>
OPERATING TRANSFERS				
Transfer To General Fund	<u>(12,500)</u>	<u>29,770</u>	<u>(742,269)</u>	<u>(772,039)</u>
Change in Net Position - Budget Basis	<u>(393,470)</u>	<u>(93,313)</u>	<u>(665,586)</u>	<u>(572,273)</u>
Net Position at Beginning of Year	<u>399,140</u>	<u>399,140</u>	<u>1,150,052</u>	<u>750,912</u>
Net Position at End of Year	<u>\$ 5,670</u>	<u>\$ 305,827</u>	<u>\$ 484,466</u>	<u>\$ 178,639</u>

RIO GRANDE WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP)
SPECIAL IMPROVEMENT DISTRICT #3
For the Year Ended December 31, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
OPERATING REVENUE				
Administration Fees	\$ 50,000	\$ 50,000	\$ 62,370	\$ 12,370
Groundwater Withdrawal Fees	608,750	608,750	482,813	(125,937)
Contract Inclusion Fees	300	300	-	(300)
Sustainability Fees	-	-	137,057	137,057
Other Revenue	-	-	342	342
Total operating revenue	659,050	659,050	682,582	23,532
OPERATING EXPENSES				
Water Management Expenses				
Water Lease and Storage	2,012,000	500,000	114,675	385,325
Forbearance	-	-	120,362	(120,362)
Administration	64,450	70,500	83,875	(13,375)
Professional Fees	125,000	125,000	81,448	43,552
Special Projects	-	-	-	-
Total operating expenses	2,201,450	695,500	400,360	295,140
Operating income (loss)	(1,542,400)	(36,450)	282,222	318,672
NONOPERATING REVENUE				
Other Nonoperating Revenues	-	233,000	112,217	(120,783)
Loan Proceeds	-	1,991,130	1,991,130	-
Interest Revenue	2,500	4,130	4,127	(3)
Interest Expense	-	-	(14,319)	(14,319)
Total nonoperating revenues	2,500	2,228,260	2,093,155	(135,105)
OPERATING TRANSFERS				
Transfer To General Fund	-	(2,192,210)	(2,187,210)	5,000
Net Income - Budget Basis	(1,539,900)	(400)	188,167	<u>\$ 188,567</u>
Less: Loan Proceeds			(1,991,130)	
Change in Net Position			(1,802,963)	
Net Position at Beginning of Year	1,608,213	1,608,213	2,012,436	
Net Position at End of Year	\$ 68,313	\$ 1,607,813	\$ 209,473	

RIO GRANDE WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP)
SPECIAL IMPROVEMENT DISTRICT #4
For the Year Ended December 31, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
OPERATING REVENUE				
Administration Fees	\$ 89,800	\$ 88,012	\$ 83,997	\$ (4,015)
Groundwater Withdrawal Fees	283,000	253,000	69,312	(183,688)
Contract Inclusion Fees	500	500	395	(105)
Sustainability Fee	135,000	135,000	152,909	17,909
Miscellaneous Revenues	-	-	135,139	135,139
Total operating revenue	508,300	476,512	441,752	(34,760)
OPERATING EXPENSES				
Water Management Expenses				
Water Lease and Storage	388,000	358,000	-	358,000
Forbearance	-	-	-	-
Administration	64,800	64,401	200,028	(135,627)
Professional Fees	42,000	42,000	19,186	22,814
Special Projects	-	-	1,373	(1,373)
Total operating expenses	494,800	464,401	220,587	243,814
Operating income (loss)	13,500	12,111	221,165	209,054
NONOPERATING REVENUE				
Interest Revenue	-	-	864	864
Loan Proceeds	-	2,610,046	2,610,046	-
Total nonoperating revenues	-	2,610,046	2,610,910	864
OPERATING TRANSFERS				
Transfer To General Fund	(13,000)	(2,613,000)	(2,600,000)	13,000
Net Income - Budget Basis	500	9,157	232,075	<u>\$ 222,054</u>
Less: Loan Proceeds			(2,610,046)	
Change in Net Position			(2,377,971)	
Net Position at Beginning of Year	16,986	16,986	160,584	143,598
Net Position at End of Year	\$ 17,486	\$ 26,143	\$ (2,217,387)	\$ (2,243,530)

RIO GRANDE WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP)
SPECIAL IMPROVEMENT DISTRICT #5
For the Year Ended December 31, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
OPERATING REVENUE				
Administration Fees	\$ 136,000	\$ 150,000	\$ 132,311	\$ (17,689)
Groundwater Withdrawal Fees	-	30,000	-	(30,000)
Contract Inclusion Fees	-	1,000	1,000	-
Pumping Fees	550,000	550,000	529,736	(20,264)
Other Revenue	-	-	4	4
Total operating revenue	686,000	731,000	663,051	(67,949)
OPERATING EXPENSES				
Water Management Expenses				
Water Lease and Storage	500,000	500,000	192,885	307,115
Forbearance	-	-	-	-
Administration	91,000	101,500	145,957	(44,457)
Professional Fees	70,000	70,000	83,264	(13,264)
Special Projects	-	-	408,750	(408,750)
Capital Outlay	-	347,050	-	347,050
Total operating expenses	661,000	1,018,550	830,856	187,694
Operating income (loss)	25,000	(287,550)	(167,805)	119,745
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	-	-	3,986	3,986
Interest Expense	-	-	(97,287)	(97,287)
Loan Proceeds	-	2,876,816	2,876,816	-
Loan Payments	-	(2,529,770)	(2,536,977)	(7,207)
Total nonoperating revenues (expenses)	-	347,046	246,538	(100,508)
OPERATING TRANSFERS				
Transfer Out	(25,000)	(25,000)	-	25,000
Change in Net Position - Budget Basis	-	34,496	78,733	<u>\$ 144,745</u>
Less: Loan Proceeds			(2,876,816)	
Less: Loan Proceeds			<u>2,536,977</u>	
Change in Net Position			(261,106)	
Net Position at Beginning of Year	-	-	(1,980,951)	(1,980,951)
Net Position at End of Year	\$ -	\$ 34,496	\$ (2,242,057)	\$ (2,276,553)

RIO GRANDE WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
SPECIAL IMPROVEMENT DISTRICT #6
For the Year Ended December 31, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
OPERATING REVENUE				
Administration Fees	\$ 101,150	\$ 101,150	\$ 131,533	\$ 30,383
Groundwater Withdrawal Fees	1,775,000	1,775,000	1,847,635	72,635
Contract Inclusion Fees	-	1,200	1,200	-
Other Revenue	-	-	15,436	15,436
Total operating revenue	1,876,150	1,877,350	1,995,804	118,454
OPERATING EXPENSES				
Water Management Expenses				
Water Lease and Storage	3,800,000	1,300,000	737,622	562,378
Forbearance	-	-	364,819	(364,819)
Administration	107,512	108,512	106,154	2,358
Professional Fees	165,000	165,000	106,832	58,168
Special Projects	-	-	1,620	(1,620)
Total operating expenses	4,072,512	1,573,512	1,317,047	256,465
Operating income (loss)	(2,196,362)	303,838	678,757	374,919
NONOPERATING REVENUE				
Interest Revenue	4,000	4,000	10,046	6,046
Total nonoperating revenues	4,000	4,000	10,046	6,046
OPERATING TRANSFERS				
Transfer Out	(10,000)	(1,452,269)	(742,269)	710,000
Change in Net Position	(2,202,362)	(1,144,431)	(53,466)	1,090,965
Net Position at Beginning of Year	2,235,346	2,235,346	4,157,474	1,922,128
Net Position at End of Year	\$ 32,984	\$ 1,090,915	\$ 4,104,008	\$ 3,013,093

RIO GRANDE WATER CONSERVATION DISTRICT

OTHER INFORMATION

RIO GRANDE WATER CONSERVATION DISTRICT
ESTIMATED FUTURE OBLIGATIONS - UNAUDITED
SPECIAL IMPROVEMENT DISTRICT #1
For the Year Ended December 31, 2023

Year	Estimated Future Obligation
2024	\$ 550,000
2025	550,000
2026	550,000
2027	550,000
2028	550,000
2029	550,000
2030	393,000
2031	267,070
2032	231,830
2033	46,255
Total	\$ 4,238,155

Notes to the Other Information

SubDistrict #1 implemented a conservation program which was available from 2014 through 2019. The program incentivized producers to recharge their surface water for \$50 per acre foot over 15 years. Each year the producer must recharge the water in order to satisfy the requirements of the contract. SubDistrict #1 will annually calculate the amount due to the producers based on the surface water that was actually recharged. The above estimated future obligations are estimates and are subject to change based on actual events.

RIO GRANDE WATER CONSERVATION DISTRICT

SINGLE AUDIT SECTION

RIO GRANDE WATER CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Assistance Listing Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures (\$)</i>
U.S. Department of Treasury			
Coronavirus State and Local Fiscal Recovery Funds	21.027	Colorado Water Conservation Board (CWCB), SLFRP0126	\$ 3,642,086
Total Expenditures of Federal Awards			<u>\$ 3,642,086</u>

RIO GRANDE WATER CONSERVATION DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Rio Grande Water Conservation District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the year ended December 31, 2023. In addition, the District did not pass-through federal funds to subrecipients.

NOTE 2: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Rio Grande Water Conservation District under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rio Grande Water Conservation District, it is not intended to and does not present the financial position or changes in net position of Rio Grande Water Conservation District.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



**Wall,
Smith,
Bateman Inc.**

To the Board of Directors
Rio Grande Water Conservation District
Alamosa, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of Rio Grande Water Conservation District (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that was considered to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 www.wsbcpa.com

under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 25, 2024

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**



**Wall,
Smith,
Bateman Inc.**

To the Board of Directors
Rio Grande Water Conservation District
Alamosa, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rio Grande Water Conservation District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 www.wsbcpa.com

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 25, 2024

RIO GRANDE WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___X___yes ___no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes X none reported
- Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____yes X no

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? _____yes X no

RIO GRANDE WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

Section II – Financial Statement Findings

Finding 2023-001: Internal Control over Financial Reporting
(Repeat of Finding 2022-001)

Type of finding: Internal control (material weakness) and material noncompliance

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities over the application of accounting principles, non-routine transactions, financial statement preparation, and budgetary law compliance.

Condition: The concentration of closely related duties and responsibilities performed by a few people makes it difficult to establish a complete system of internal controls and expertise over these matters.

Cause: The District does not have a system of internal control to ensure year-end reconciliation processes detect and correctly record non-routine transactions, and identify and correct over-budget conditions.

Effect: Audit adjustments were proposed to properly state the financial statements as of December 31, 2023, in accordance with generally accepted accounting principles. In addition, the General Fund expenditures exceeded budgeted appropriations by \$275,819, which may be a violation of state statute.

Recommendation: The District should reconcile year end balances and record necessary adjustments when performing the financial close and reporting at year end to avoid material audit adjustments, and review budgeted to actual expenditures and adopt supplemental appropriations when necessary.

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

**RIO GRANDE WATER CONSERVATION DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2023**

Section II – Financial Statement Findings

Finding 2022-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness)

Condition: Audit adjustments were proposed to properly state the General Fund at December 31, 2023 in accordance with generally accepted accounting principles.

Recommendation: We recommend management reconcile year end balances and record necessary adjustments when performing the financial close and reporting at year end to avoid material audit adjustments.

Status: Not Implemented. (See Finding 2023-001.)