
Colorado River Water Conservation District
Financial Statements

December 31, 2010

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Colorado River Water Conservation District

2011 Board of Directors

Name	Position	County
James Newberry	Vice-President	Grand
Gary Martinez	Director	Summit
Steven Acquafresca	Director	Mesa
Tom Gray	Director	Moffat
Rebe Hazard	Director	Saguache
David H. Merritt	Director	Garfield
Thomas M. Alvey	Director	Delta
Stephen M. Mathis	Director	Montrose
William S. Trampe	Director	Gunnison
Forrest F. Nelson	Director	Rio Blanco
Andrew A. Mueller	Director	Ouray
Jon Stavney	Director	Eagle
Thomas R. Sharp	President	Routt
John M. Ely	Director	Pitkin
(Albert) Warner Dewey	Director	Hinsdale

Colorado River Water Conservation District General Background and Transmittal

GENERAL BACKGROUND AND TRANSMITTAL

A. BACKGROUND

The Colorado River Water Conservation District was created by the Colorado General Assembly in 1937. The River District boundary includes all or parts of 15 West Slope counties and encompasses all or parts of the Colorado River main-stem, Yampa, White, Gunnison, Uncompahgre and Dolores River drainages.

Under the 1937 legislation, the River District included Summit, Eagle, Garfield, Mesa, Pitkin, Delta, Gunnison and Montrose Counties. In 1955, Grand, Moffat, Routt, Rio Blanco and Ouray Counties joined the District and in 1961, the portions of Hinsdale and Saguache Counties within the Colorado River Basin became a part of the River District.

Within Colorado, there are three other water conservation districts, the Southwestern Water Conservation District which was created in 1951, the Rio Grande Water Conservation District, created in 1961 and the Republican River Water Conservation District, created in 2004.

B. GENERAL POWERS AND MISSION

The River District's general powers and mission are described in its legislative charter. The legislative declaration states:

37-46-101. Legislative declaration. "In the opinion of the general assembly of the state of Colorado, the conservation of the water of the Colorado river in Colorado for storage, irrigation, mining, and manufacturing purposes and the construction of reservoirs, ditches, and works for the purpose of irrigation and reclamation of additional lands not yet irrigated, as well as to furnish a supplemental supply of water for lands now under irrigation, are of vital importance to the growth and development of the entire district and the welfare of all its inhabitants and that, to promote the health and general welfare of the state of Colorado, an appropriate agency for the conservation, use, and development of the water resources of the Colorado river and its principal tributaries should be established and given such powers as may be necessary to safeguard for Colorado, all waters to which the state of Colorado is equitably entitled under the Colorado river compact."

The statute gives the River District broad powers to carry out its declaration. These powers are described in detail in § 37-46-107 (a) and through (l). In general, the River District can appropriate water rights, litigate water matters, enter into contracts, hold real property, operate projects and perform other functions as needed to meet the present and future water needs of the District.

Mission Statement

**To lead in the protection, conservation, use and development of the water resources
of the Colorado River basin for the welfare of the District, and to safeguard for
Colorado all waters of the Colorado River to which the state is entitled.**

C. BOARD OF DIRECTORS

The District's legislation states that the district shall be managed and controlled by a board of fifteen directors, one from each of the 15 member counties. Board members are appointed by the board of county commissioners from each county and serve three year terms. Each January five board members are up for appointment. In January, 2011 those counties are Mesa, Pitkin, Routt, Moffat, and Saguache Counties.

The Board elects a president and vice president and appoints a secretary (normally the manager) and treasurer. In 2002, the Board adopted a two term limit commencing in 2003, for its president and vice president.

The Board utilizes committees as necessary. The duties of the officers and procedures for committee meetings are further described in the District bylaws.

Regular Board meetings are held in Glenwood Springs beginning on the third Tuesday of January, April, July and October and normally run two days. For 2011 those dates are:

January 18-19, 2011

April 19-20, 2011

July 19-20, 2011

October 18-19, 2011

The Board also holds special meetings and tours as necessary, including a budget workshop typically scheduled in mid-September.

D. RESOURCES

The available River District resources include its water resources (projects, contracts, absolute and conditional water rights), staff resources and budget resources.

The River District owns and operates two reservoir projects, Wolford Mountain Reservoir, located on Muddy Creek north of Kremmling and Elkhead Reservoir, located in the Yampa River basin near Craig. It also has contracted interests in water through its shares in the Grand County Mutual Ditch and Reservoir Company, Eagle Park Reservoir, the Homestake Reservoir exchange, water from the Twin Lakes Reservoir and Canal Co. enlargement decree, contracts with the Bureau of Reclamation for Ruedi Reservoir water and a contracted interest in the Taylor Park Reservoir second fill.

The River District financial statements are divided into "Governmental Activities" and "Business-Type Activities". The Governmental Activities are financed through the Board's authority to levy taxes as provided in:

37-46-109. Authority of board to levy taxes. (1) (a) In addition to other means of providing revenue for the district, the board of directors has the power to fix the amount of an assessment upon the property within the district, not to exceed two and one-half mills for every dollar of valuation for assessment therein as a level or general levy to be used for the purpose of paying the expenses of organization, for surveys and plans, to pay the salaries of officers and the per diem allowed to directors and their expenses, for the costs and expenses of construction or partial construction of any project designed or intended to accomplish the utilization of water, by storage or otherwise, for any beneficial uses or purposes, and for other incidental expenses which may be incurred in the administration of the affairs of the district.

The Governmental Funds are further divided into a “General Fund” and a “Capital Projects Fund”.

The River District’s Business-Type Activities are managed by an enterprise formally named the Colorado River Water Projects Enterprise of the Colorado River Water Conservation District. The Board of Directors of the River District is the Board of Directors of its Enterprise. The River District and its Enterprise share the same staff.

The Enterprise is a “government-owned business” as referred to in Colorado Constitution Article X, § 20, a/k/a “TABOR (Taxpayer Bill of Rights)” or “Amendment One”. Therefore, it is subject to judicial interpretations of TABOR and the provisions of the Water Activity Enterprise Act.

The Enterprise develops and operates the District’s water supply assets. The Enterprise’s water supplies are contracted for beneficial use pursuant to a water marketing policy. The Enterprise currently markets two basic supplies: (1) Colorado River Supply, which is provided from the Enterprise’s Wolford Mountain Reservoir Project and the Enterprise’s Ruedi Reservoir (Bureau of Reclamation) water contracts; and (2) Eagle River Supply, which is provided from the Enterprise’s interest as a shareholder in Eagle Park Reservoir Company and that Company’s sources of supply (Eagle Park Reservoir and a Homestake Reservoir exchange supply). As of 2007, the Enterprise has contract water available from Elkhead Reservoir, in the Yampa River basin.

A staff of 23 consisting of managers, general and associate counsels, water resource engineers and specialists, a project caretaker and other public affairs, legal and administrative support personnel carries out the activities of the District as directed by the Board. Personnel costs are split between the Enterprise and General Funds based on an estimated percentage of time spent.

REGIONAL / ECONOMIC CONDITIONS AND OUTLOOK

A. REGIONAL SETTING

The River District covers a large and diverse area. There are four major river basins within the district; the Yampa, the White, the Gunnison and the Colorado main-stem. The River District’s economics are also quite diverse. It includes areas that are highly dependent on winter and summer recreation and a second home market. Resort development in Summit County, Aspen, Gore Creek and Eagle River Valleys, Winter Park, Steamboat Springs and Crested Butte areas have resulted in a significant increase in the District’s tax base in the last decade. In recent years, oil and gas development, primarily in Garfield, Mesa and Rio Blanco Counties, has resulted in significant growth in this region.

In the summer of 2008, the national economic slowdown began impacting most areas within the District. This slowdown impacted the rate of growth in the energy and second home sectors. The River District’s assessed valuation peaked in 2009. It dropped slightly in 2010. We expect larger reductions for 2011 and 2012.

The primary agricultural areas within the District include the Uncompahgre Valley, Grand Valley, Gunnison River Basin, Upper White River Basin and the Lower Yampa River Basin.

The major urban center within the River District is Grand Junction. Other towns include Montrose, Craig, Delta, Rifle, Steamboat Springs and Glenwood Springs.

B. POPULATION TRENDS

The population of the 15 River District counties is in the following table:

From 1980 to 2010, the population of the River District increased by 92.2%. This is a greater rate of growth than the six counties in the Denver Metro area, which increased from 1,618,461 to 2,489,631 (53.8%) or the state of Colorado which increased from 2,889,964 to 5,029,196 (74.0%).

<u>County</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>% Chg 1980-2010</u>
Delta	21,225	20,980	27,834	30,952	45.83%
Eagle	13,320	21,928	41,659	52,197	291.87%
Garfield	22,514	29,974	43,791	56,389	150.46%
Grand	7,475	7,966	12,445	14,843	98.57%
Gunnison	10,689	10,273	13,956	15,324	43.36%
Hinsdale	408	467	790	843	106.62%
Mesa	81,530	93,145	116,225	146,723	79.96%
Moffat	12,133	11,357	13,184	13,795	13.70%
Montrose	24,352	24,423	33,432	41,276	69.50%
Ouray	1,925	2,295	3,742	4,436	130.44%
Pitkin	10,338	12,661	14,872	17,148	65.87%
Rio Blanco	6,255	5,972	5,986	6,666	6.57%
Routt	13,404	14,088	19,690	23,509	75.39%
Saguache	3,935	4,619	5,917	6,108	55.22%
Summit	8,848	12,881	23,598	27,994	216.39%
TOTALS	238,351	273,029	377,121	458,203	92.24%

Management believes that the most recent population trends both within the District and within Colorado as a whole have grown at rates below the historical average. Growth rates are likely to increase again in the near future. Meeting the water needs of the District population, which includes the maintenance of stream flows necessary for a thriving recreation based economy, will continue to challenge the District's financial and personnel resources. Continued growth along the Colorado Front Range will put significant pressure for the diversion of additional Colorado River water to the Front Range resulting in more demands on District staff and Board.

C. DISTRICT TAX BASE AND TAX REVENUES

Since the mid 1990's the River District's tax base has grown at a significant rate. A graph of the District mill levy and the total property taxes collected are shown in Figure A and Figure B. Certain provisions of the Colorado constitution (commonly referred to as TABOR), limit the increase in tax revenues and expenditures to the rate of inflation plus new growth. Consequently, the mill levy changes as an inverse relationship to the change in the assessed valuation.

FIGURE A: ASSESSED VALUATION VS. MILL LEVY

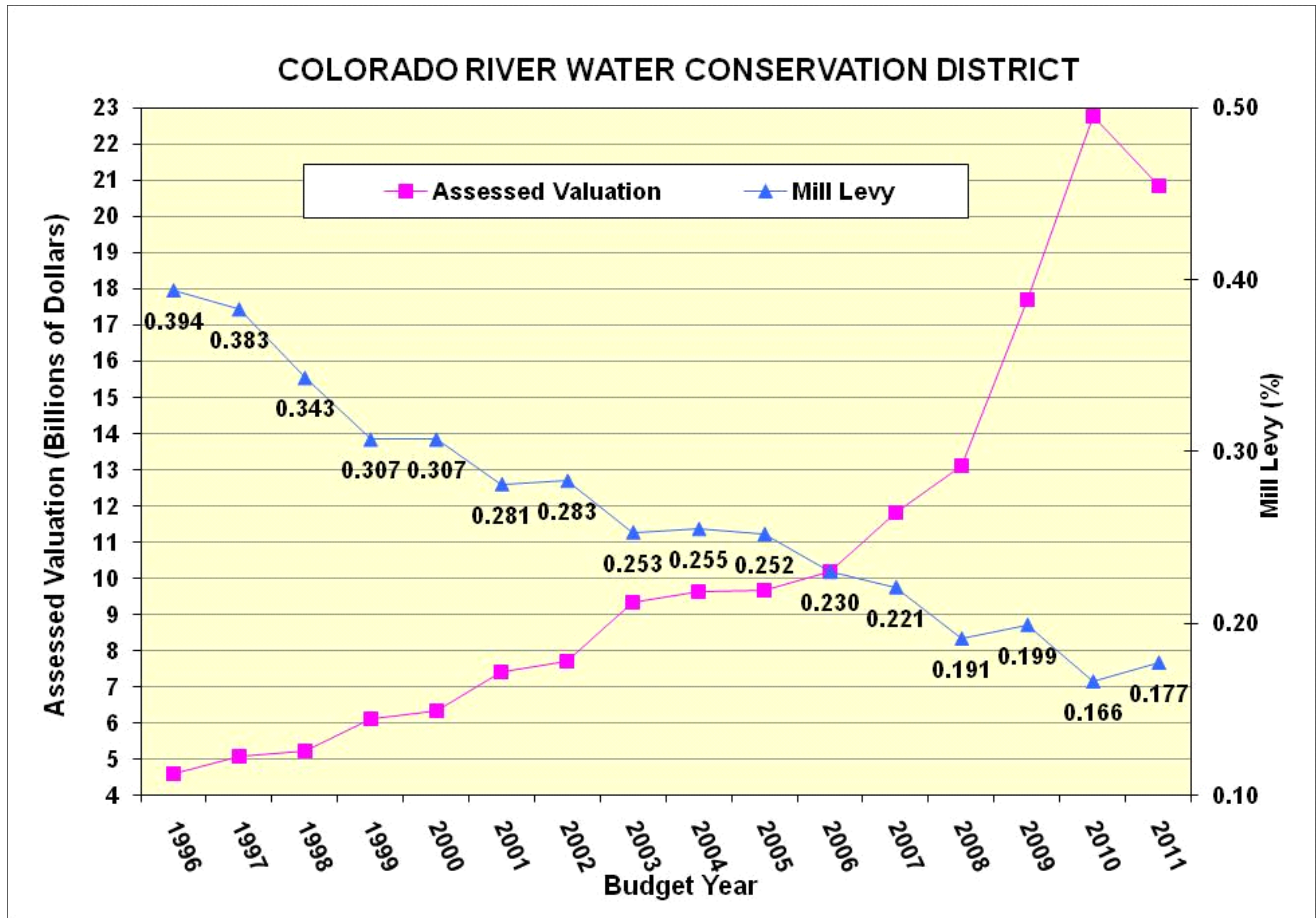
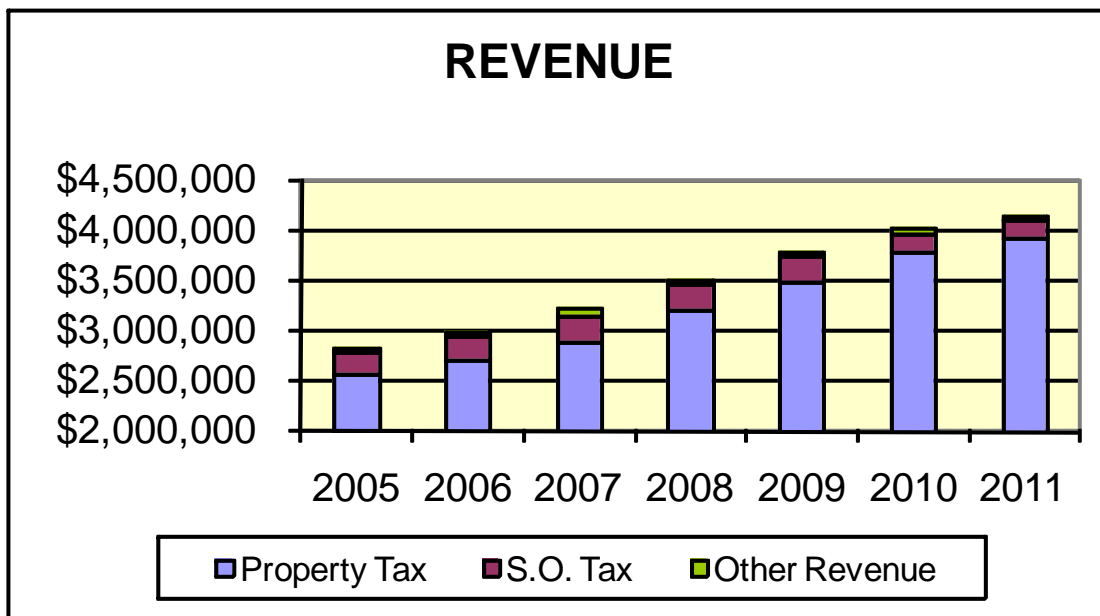


FIGURE B: BUDGETED GENERAL REVENUES



In addition to the property taxes, the River District has revenues from the specific ownership tax and interest. In 2010 the River District collected \$193,943 in specific ownership taxes (a decrease of 17.7% from 2009).

River District management believes that the River District tax base will be flat or possibly decline in the near future. Growth will probably increase again after 2012. Much of the increase in the assessed valuation has been caused by natural gas and oil development and a rapid increase in housing values throughout the District. Both of these sectors are currently impacted by the national economic slowdown.

Collections of the specific ownership (S.O.) tax, which make up 3.9% of the District's total General Fund revenues, are highly dependent on the purchase of new personal vehicles and business equipment. The S.O. tax collection is highly variable and difficult to predict from year to year. Interest earnings only make up a small portion of District General Fund revenues (1.1%). Interest earnings are a more significant revenue source of income for the Enterprise and Capital Project Fund.

D. ENTERPRISE REVENUES

The District's Enterprise revenues are primarily based on water sales, lease revenues and interest earnings. The primary source of income to the Enterprise is a \$3 million dollar per year lease payment from the Denver Water Board. Denver Water holds a 40.0% interest in the capacity and water stored of the Enterprises' primary asset – Wolford Mountain Reservoir. The Denver water lease payments will end in 2019, after which Denver Water will only pay a 40.0% share of the actual costs of operating and maintaining the Wolford Mountain Reservoir.

The concept of the River District-Denver Water agreement for Wolford Mountain Reservoir was that the Denver Water's lease revenues provide the Enterprise with a revenue stream that exceeds the actual cost of the project's construction. These excess revenues would then provide a source of "seed money" to assist with the development of additional Enterprise assets.

In addition to the Denver Water lease revenues, the Enterprise receives revenue from its water marketing programs. Under the water marketing program, the Enterprise has 8,100 acre feet of Wolford Mountain Reservoir water, 306 acre feet of Eagle River Projects water and, 6730 acre feet of Ruedi Reservoir water.

Each year the water marketing contract pricing is analyzed and recommendations are presented to the Board. Any increases are subject the following contractual parameters: Pre-2006 water contracts can be adjusted for the operation and maintenance component every five years. The adjustment is limited by the Boulder-Denver Consumer Price Index. Post-2006 contracts can be adjusted on an annual basis. In January, 2011, the Board approved an adjustment to the post 2006 water contracts by 3.0%.

The following table shows the total water sold through contracts and water sales revenues received or billed for water project years for 2001-2010.

<u>Water Project Year</u>	<u>Water Under Contract</u>	<u>Revenue Received</u>
2001/2002	2018 a.f.	\$254,466
2002/2003	3603 a.f.	\$488,612
2003/2004	4178 a.f.	\$415,597
2004/2005	4106 a.f.	\$737,643
2005/2006	3758 a.f.	\$782,440
2006/2007	4131 a.f.	\$825,631
2007/2008	4428 a.f.	\$719,347
2008/2009	5406 a.f.	\$719,804
2009/2010	4884 a.f.	\$832,590

There is not a direct correlation between the acre feet of water under contract and revenue received. This reflects a pricing strategy that allowed water users to pay the Capital Recovery fee up front in their contract period with only the Operation and Maintenance fee (O&M) in subsequent contract years. A significant number of water users took advantage of this pricing strategy. This pricing strategy ended in 2007. Management expects that the demand for Enterprise water will continue to grow. While the water supply available for purchase in certain areas will be limited, the River District continues to take advantage of opportunities to increase its inventory.

In addition to water sales, the Enterprise received the following interest earnings.

<u>Year</u>	<u>Interest Earnings</u>
2000	\$1,345,565
2001	\$1,379,544
2002	\$ 750,081
2003	\$ 461,898
2004	\$ 591,045
2005	\$ 657,307
2006	\$1,404,929
2007	\$1,405,166
2008	\$ 704,606
2009	\$ 264,918
2010	\$ 128,830

Operating successful water projects will present new challenges to both management and the Board. Enterprise projects will need to be carefully analyzed and pricing strategies developed to cover, on a long term basis, the full costs of operating the Enterprise's various projects and to provide a source for financing additional projects to meet future water needs.

MAJOR INITIATIVES AND ISSUES

A. REGIONAL HYDROLOGIC CONDITIONS

Beginning in the summer of 2000, the entire state of Colorado including the District, began a period of extended and severe drought. Drought conditions in the Upper Colorado River Basin eased somewhat in 2003. 2004 was again a very dry year throughout most of the Western Colorado. There has been continual relief from the drought since 2005. Wolford Mountain Reservoir filled and spilled each year from 2006-2010. Any reemergence of drought conditions may require the River District to redirect resources to help alleviate drought related problems.

The following graph (Figures C) show storage levels in the District’s Wolford Mountain Reservoir from January, 2002 through January, 2011. The second graph (Figure D) shows reservoir levels at Lake Powell, a large reservoir operated by the United States Bureau of Reclamation. The drop in storage at Lake Powell is indicative of drought conditions throughout the Upper Colorado River region.

FIGURE C: WOLFORD MOUNTAIN RESERVOIR STORAGE

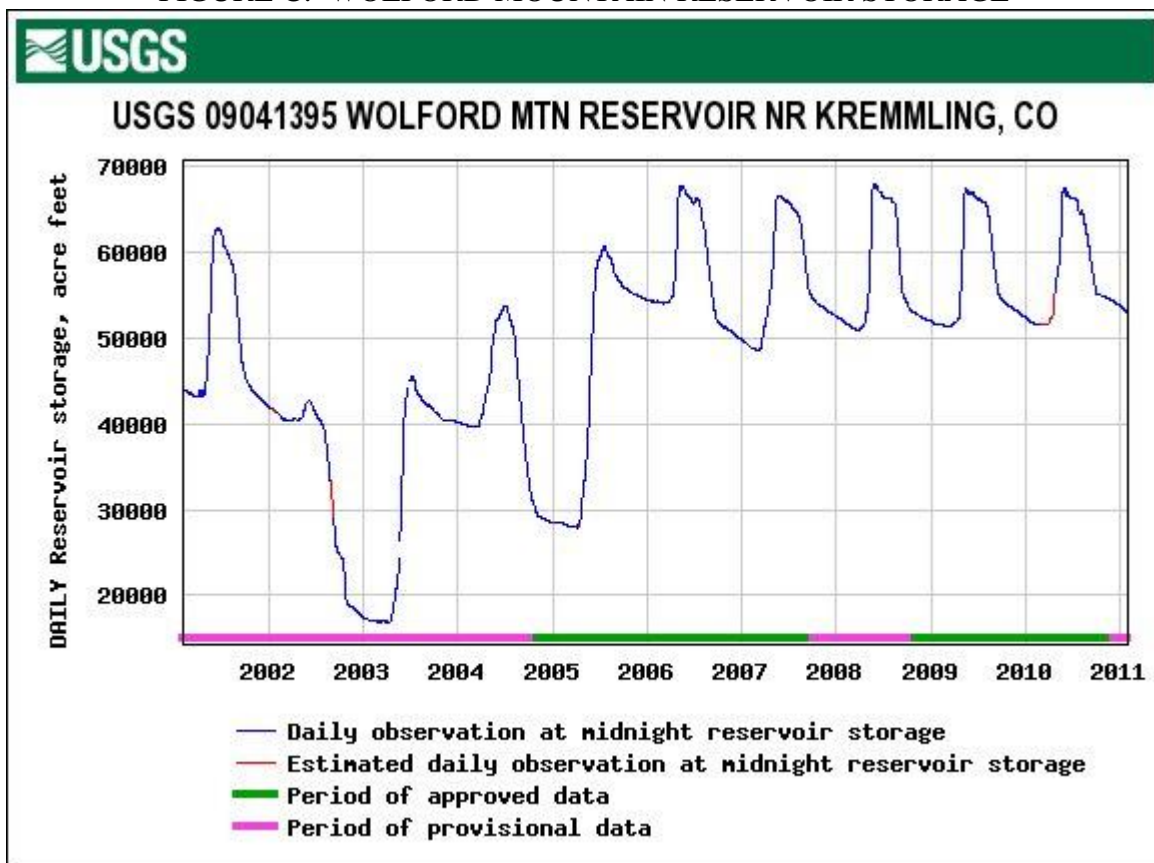
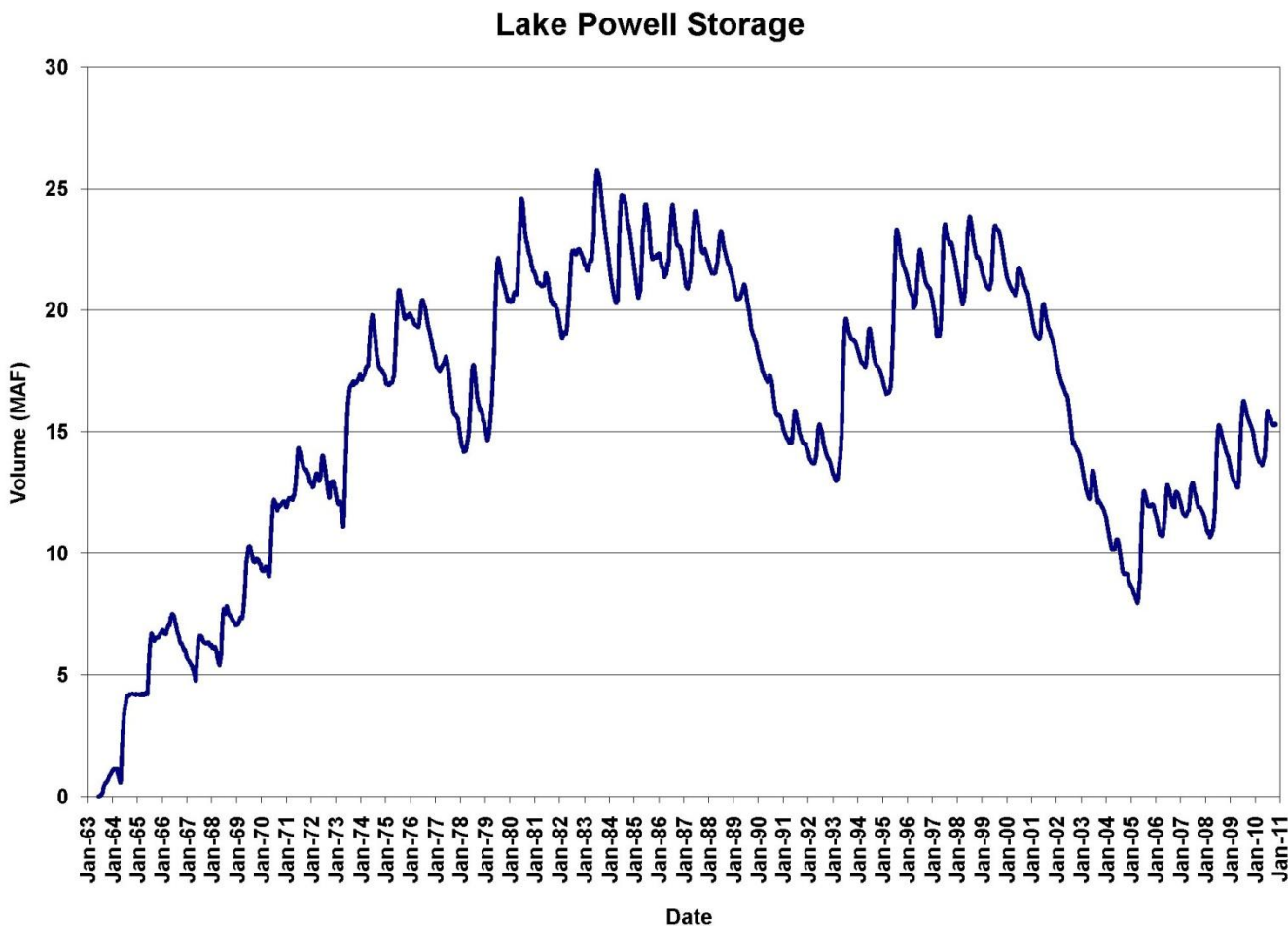


FIGURE D: LAKE POWELL STORAGE



B. LITIGATION AND LEGAL FUNDING

The River District’s General Counsel is responsible for the management of all of the legal matters of the River District and its Enterprise. The River District is involved in a wide-variety of legal matters that include litigation related to water rights, the negotiation and mediation of litigation settlements, the negotiation of contractual relationships, governmental compliance, and legislative proposals. Budgeting for litigation related matters is very difficult because of the uncertain nature of the litigation schedule and possible settlement options. Occasionally unanticipated financial liability results from pending litigation.

In addition to in-house counsel, the River District has retained special counsel for advice on a variety of matters. Generally those matters involve anticipated complex-litigation, issues beyond the particular expertise of in-house counsel, and “overflow” work delegated to special counsel on an as-needed basis. The River District expended \$195,400 on special counsel, mediation and expert consultants related to pending and anticipated litigation during the year 2010. Those costs are expected to increase in 2011.

Independent Auditor's Report

To the Board of Directors
Colorado River Water Conservation District
Glenwood Springs, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Colorado River Water Conservation District as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Colorado River Water Conservation District as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 and the Budgetary Comparison Schedule on page 34 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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 supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory section, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Denver, Colorado
March 14, 2011

Colorado River Water Conservation District Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is designed to provide an easy-to-read discussion of the District's financial condition and operating results and to disclose to the reader important financial activities and issues related to the District's basic operations and mission. The MD&A should be read in conjunction with the detailed Background and Transmittal letter which precedes this MD&A and the District's basic financial statements.

The District has two separate financial categories or activities - government-type activities and those covered or referred to as business type activities. Within the government type activities, the Board has designated two separate budgets; a General Fund and a Capital Projects Fund. The government type activities are funded through the District's ad-valorem property tax. The business type activities are managed through the District's Colorado River Water Projects Enterprise (Enterprise). The Enterprise is funded through water sales contracts and leases. Interest earnings are also a significant source of revenues.

DESCRIPTION OF FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District government, reporting the District's operations *in more detail* than the government-wide statements.

The financial statements also include *Notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information about the District as a whole and include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. The District's net assets – the difference between assets and liabilities – are one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base are needed to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two kinds of activities:

- **Governmental Activities** – The activity of the River District for its General and Capital Projects funds are reported here. Property taxes, specific ownership taxes, and interest income finances most of these activities
- **Business-Type Activities** – The District manages an enterprise formally named the Colorado River Water Projects Enterprise of the Colorado River Water Conservation District which develops and operates the District's water supply assets. The activity of this Enterprise is reported here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant funds – not the District as a whole. The District's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental fund – The River District's activity of its General and Capital Project funds are reported as a governmental fund, which focuses on how money flows into and out of the General fund and the balances left at year-end that are available for transfer to its Capital Projects fund. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Proprietary (Enterprise) fund – The activity of the River District's Enterprise fund is reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise fund is the same as the business-type activities reported in the governmental-wide statements but provide more detail and additional information, such as cash flows.

The other financial statements include notes that explain some of the information in the financial statements and provide more detailed data.

HIGHLIGHTS for fiscal year 2010

Governmental Activities

- As of December 2010, the District's governmental activities funds held \$13,542,927 in total assets.

Business-type Activities

- In 2010, total Enterprise assets were \$116,949,774, a 3.0% decrease from the prior year.
- In 2010, revenues from water sales increased 15.6% to \$832,590.
- The District's Enterprise has two loans with the Colorado Water Conservation Board (CWCB) and long-term contracts for the purchase of water.
- Total Business-type activities liabilities decreased 6.7% to \$23,873,335.

HIGHLIGHTS for fiscal year 2009

Governmental Activities

- As of December 2009, the District's governmental activities funds held \$12,464,019 in total assets.

Business-type Activities

- In 2009, total Enterprise assets were \$120,633,090, a slight 2.4% decrease from the prior year.
- In 2009, revenues from water sales remained steady \$719,804.
- The District's Enterprise has two loans with the Colorado Water Conservation Board (CWCB) and long-term contracts for the purchase of water.
- Total Business-type activities liabilities decreased 6.1% to \$25,593,335.

STATEMENTS OF NET ASSETS

The following table is a year-to-year summary of the District's net assets:

	Net Assets (In Thousands)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Assets:</u>						
Current Assets	\$ 11,088	\$ 10,010	\$ 27,092	\$ 28,888	\$ 38,180	\$ 38,898
Capital assets, Net	2,366	2,365	60,746	61,663	63,112	64,028
Other Assets	89	89	27,266	28,372	27,355	28,461
Restricted Assets	-	-	1,846	1,710	1,846	1,710
Total Assets	<u>\$ 13,543</u>	<u>\$ 12,464</u>	<u>\$ 116,950</u>	<u>\$ 120,633</u>	<u>\$ 130,493</u>	<u>\$ 133,097</u>
<u>Liabilities:</u>						
Current Liabilities	4,210	3,960	3,133	2,997	7,343	\$ 6,957
Long-Term Liabilities	<u>2</u>	<u>17</u>	<u>20,740</u>	<u>22,596</u>	<u>20,742</u>	<u>22,613</u>
Total Liabilities	<u>\$ 4,211</u>	<u>\$ 3,977</u>	<u>\$ 23,873</u>	<u>\$ 25,593</u>	<u>\$ 28,084</u>	<u>\$ 29,570</u>
<u>Net Assets:</u>						
Investment in Capital Assets, Net of Related Debt	2,366	2,365	42,686	42,262	45,052	\$ 44,627
Restricted	90	90	1,846	1,710	1,936	1,800
Unrestricted	<u>6,876</u>	<u>6,033</u>	<u>48,545</u>	<u>51,068</u>	<u>55,420</u>	<u>57,101</u>
Total Net Assets	<u>\$ 9,332</u>	<u>\$ 8,488</u>	<u>\$ 93,077</u>	<u>\$ 95,040</u>	<u>\$ 102,408</u>	<u>\$ 103,528</u>

STATEMENTS OF ACTIVITIES

The following table reflects a year-to-year change in the District's net assets:

Statements of Activities (In Thousands)						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Revenues:</u>						
<u>Program Revenues:</u>						
Charges for Services	\$ -	\$ -	\$ 2,347	\$ 2,345	\$ 2,347	\$ 2,345
Grants/Contributions	-	-	258	615	258	615
Total Program Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,605</u>	<u>\$ 2,960</u>	<u>\$ 2,605</u>	<u>\$ 2,960</u>
<u>General Revenues:</u>						
Property Taxes	3,770	3,488	-	-	3,770	3,488
Specific Ownership Taxes	194	264	-	-	194	264
Interest/Investments	55	67	183	266	238	333
Miscellaneous	5	10	-	-	5	10
Total General Revenues	<u>\$ 4,023</u>	<u>\$ 3,829</u>	<u>\$ 183</u>	<u>\$ 266</u>	<u>\$ 4,206</u>	<u>\$ 4,095</u>
Total Revenues	<u>\$ 4,023</u>	<u>\$ 3,829</u>	<u>\$ 2,788</u>	<u>\$ 3,226</u>	<u>\$ 6,811</u>	<u>\$ 7,055</u>
<u>Program Expenses</u>						
General Government	435	442	-	-	435	442
Projects & Engineering	627	509	4,751	4,872	5,378	5,381
Professional & Legal	1,985	1,944	-	-	1,985	1,944
Other Administration	55	65	-	-	55	65
Unallocated Depreciation	77	74	-	-	77	74
Total Expenses	<u>\$ 3,179</u>	<u>\$ 3,034</u>	<u>\$ 4,751</u>	<u>\$ 4,872</u>	<u>\$ 7,930</u>	<u>\$ 7,906</u>
Increase(decrease) in Net Assets	<u>\$ 844</u>	<u>\$ 795</u>	<u>\$ (1,963)</u>	<u>\$ (1,646)</u>	<u>\$ (1,119)</u>	<u>\$ (851)</u>

The year to year change in both the Governmental and Business Activity was primarily the result of a continued decrease in interest and tax revenue, a sign of the economic times. The Governmental side reflects the District's efforts to meet these times with a 15.4% decrease in administrative expenses. The Business side had less site activity at the Old Dillon and Elkhead projects which resulted in less reimbursements/contributions in 2010.

GOVERNMENTAL FUNDS

BALANCE SHEET

(In Thousands)

Years ended December 31,

	2010	2009
Total Assets - General Fund	\$ 6,433	\$ 6,012
Total Assets - Capital Fund	5,696	4,937
Total Assets	\$ 12,129	\$ 10,949
Total Liabilities - General Fund	5,003	4,705
Total Liabilities - Capital Fund	14	-
Total Liabilities	\$ 5,017	\$ 4,705
Fund Balance		
Reserved for Emergencies	90	90
Unreserved	7,022	6,154
Total Fund Balance	\$ 7,112	\$ 6,244

The increase in Total Fund Balances is primarily a result of account and property tax receivables.

REVIEW OF EXPENSES - BUDGETARY COMPARISON - GOVERNMENTAL FUNDS

(In Thousands)

Years ended December 31,

	2010 Actual	2010 Budgeted
County Treasurer's Fees	128	130
Director's Fees, Salary & Expenses	55	69
Professional and Legal	1,961	2,229
General Government	172	242
External Affairs	135	142
Project Expenses	627	854
Emergency and Contingency	-	101
Debt Service	-	-
Capital Outlay	78	50
Total Expenses	\$ 3,156	\$ 3,817

BUDGETARY HIGHLIGHTS

Changes between actual expenditures and budgeted amounts were primarily due to efforts to reduce professional, legal, and technical project expenses, and not spend emergency and contingency funds. In 2010, actual expenses were less than budgeted by approximately \$538,000 for the General Fund and \$123,000 for the Capital Projects Fund.

PROPRIETARY FUND (Enterprise Fund)

STATEMENT OF NET ASSETS

(In Thousands)

Years ended December 31,	2010	2009
Current Assets	\$ 27,174	\$ 28,967
Capital Assets (Net)	60,746	61,663
Other Assets	27,266	28,372
Restricted Assets	1,846	1,710
Total Assets	\$ 117,032	\$ 120,712
Current Liabilities	3,215	3,076
Long-term Liabilities	20,740	22,597
Total Liabilities	\$ 23,955	\$ 25,672
Net Assets		
Investment in Capital Assets, net	42,686	42,262
Restricted	1,846	1,710
Unrestricted	48,545	51,068
Total Net Assets	\$ 93,076	\$ 95,040

REVIEW OF REVENUES AND LEASE RECEIPTS

(In Thousands)

Years ended December 31,	2010	2009
Water Sales & Leases	\$ 3,833	\$ 3,720
Interest Income	129	265
Management Fee	6	28
Elkhead Operations Reimbursements	115	154
Grants & Contributions	144	463
Miscellaneous & Others	28	19
Total Revenues	\$ 4,253	\$ 4,647

The decrease in revenue for the Proprietary Fund was due primarily to reduced investment income and less project activity which resulted in less reimbursements and contributions in 2010.

CAPITAL ASSETS AND DEBT ADMINISTRATION - DISTRICT WIDE

(In Thousands)

Years ended December 31,	2010	2009
Governmental Type Activities:		
Land	\$ 1,374	\$ 1,374
Building	1,172	1,152
Equipment, Furniture & Fixtures	367	359
Total Governmental Assets	2,913	2,885
Accumulated Depreciation	(547)	520
Net Governmental Assets	\$ 2,366	\$ 2,365
Business Type Activities:		
Land	3,091	3,091
Building	575	565
Dam Project	64,664	64,664
Recreation Area	956	956
Vehicles & Other Equipment	245	245
Total Business Type Activity Assets	69,531	69,521
Accumulated Depreciation	(8,785)	(7,858)
Net Business Type Assets	\$ 60,746	\$ 61,663
Other Assets:		
Contracts & Shares	8,041	7,523
Total Business Type & Other Assets (Net)	\$ 68,787	\$ 69,186

There was little change to the Assets, in 2010. The River District purchased an additional 495 (49.5 af) class A shares and an additional 1250 (125 af of exchange) class B shares of the Eagle Park Reservoir Company. This purchase was made by the Enterprise Fund.

DEBT OUTSTANDING

The District's Business-Type long term debt consists of two loans with the Colorado Water Conservation Board (CWCB). For more information on these loans, see Note 7. As of December 31, 2010 the balance on the CWCB Wolford Mountain Project loan was \$8,874,010.

In 2005, the River District began a new construction initiative, the enlargement of the Elkhead Reservoir. This endeavor involves a cooperative effort of federal and state agencies. To fund a portion of its expense of the project, the River District obtained another construction loan from the CWCB in the amount of \$11,110,000. Draws on this construction loan began in the spring of 2005 and ended in 2006. Repayment of the loan began March 1, 2009 with a payment of \$1,034,487. As of December 31, 2010 the balance on the CWCB Elkhead Project loan was \$9,186,035.

The District has four long-term contracts with the United States Bureau of Reclamation for water from Ruedi Reservoir. These contracts are legally subject to annual appropriations by the Board of Directors. It is very unlikely that the Board would cancel these contracts. Annual principal and interest payments approximate \$600,000 through year 2019.

ECONOMIC AND OTHER FACTORS

The economy of the 15 county regions, comprising the District, is currently experiencing an economic slowdown, but growth should resume in the future. The State of Colorado's Demographer is still predicting increased population growth throughout Western Colorado. From 2004 to 2008, the District's increase in assessed valuations was primarily due to the development of natural gas and oil resources in Western Colorado. District management believes that the assessed valuation will be flat or checked in the near term, but return to historical growth trends after that. Additional information is included in the Background and Transmittal letter.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

General Manager
Colorado River Water Conservation District
P. O. Box 1120
Glenwood Springs, CO 81602
Tel: (970) 945-8522
Fax: (970) 945-8799

Colorado River Water Conservation District

December 31, 2010

Statement of Net Assets

Assets	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>Current Assets</i>			
Cash and cash equivalents	\$ 6,241,452	\$ 18,850,474	\$ 25,091,926
Investments	726,456	5,843,934	6,570,390
Property taxes receivable	3,948,565	-	3,948,565
Internal balances	81,756	(81,756)	-
Current portion of lease contract receivable	-	1,623,656	1,623,656
Accrued interest	6,634	787,860	794,494
Other current assets	82,870	67,610	150,480
Total Current Assets	<u>11,087,733</u>	<u>27,091,778</u>	<u>38,179,511</u>
<i>Noncurrent Assets</i>			
Lease contract receivable	-	19,165,809	19,165,809
Investments in reservoir stock and contracts	-	8,041,190	8,041,190
Restricted cash & Investments	-	1,845,685	1,845,685
Notes receivables	89,078	59,385	148,463
<i>Capital Assets</i>			
Nondepreciable	1,374,424	3,091,477	4,465,901
Depreciable	1,538,659	66,439,466	67,978,125
Less accumulated depreciation	(546,967)	(8,785,016)	(9,331,983)
Total Noncurrent Assets	<u>2,455,194</u>	<u>89,857,996</u>	<u>92,313,190</u>
Total Assets	<u>\$ 13,542,927</u>	<u>\$ 116,949,774</u>	<u>\$ 130,492,701</u>
<i>Liabilities</i>			
<i>Current Liabilities</i>			
Accounts payable	\$ 153,322	\$ 128,432	\$ 281,754
Accrued salaries and payroll taxes	4,552	-	4,552
Compensated absences	145,000	100,000	245,000
Accrued interest payable	-	646,328	646,328
Unearned revenues	3,906,917	414,449	4,321,366
Current portion of long term debt	-	1,843,685	1,843,685
Total Current Liabilities	<u>4,209,791</u>	<u>3,132,894</u>	<u>7,342,685</u>
Noncurrent portion of long-term liabilities:			
Notes and contracts payable	-	20,735,344	20,735,344
Compensated absences	1,511	5,097	6,608
Total Noncurrent portion of long-term liabilities	<u>1,511</u>	<u>20,740,441</u>	<u>20,741,952</u>
Total Liabilities	<u>4,211,302</u>	<u>23,873,335</u>	<u>28,084,637</u>
<i>Net Assets</i>			
Invested in capital assets net of related debt	2,366,116	42,685,883	45,051,999
Net assets restricted for:			
Emergencies	90,000	-	90,000
Debt collateralization	-	1,845,685	1,845,685
Net assets unrestricted	6,875,509	48,544,871	55,420,380
Total Net Assets	<u>9,331,625</u>	<u>93,076,439</u>	<u>102,408,064</u>
Total Liabilities and Net Assets	<u>\$ 13,542,927</u>	<u>\$ 116,949,774</u>	<u>\$ 130,492,701</u>

Colorado River Water Conservation District

For the year ended December 31, 2010

Statement of Activities

Functions/Programs	Expenses	Program Revenues		Change in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<i>Governmental Activities</i>						
County treasurers' fees	\$ 127,856	-	-	\$ (127,856)	-	\$ (127,856)
Directors' fees, salary and expense	55,331	-	-	(55,331)	-	(55,331)
Professional and legal	1,985,416	-	-	(1,985,416)	-	(1,985,416)
General government	172,185	-	-	(172,185)	-	(172,185)
External affairs	135,122	-	-	(135,122)	-	(135,122)
Project expense	626,563	-	-	(626,563)	-	(626,563)
Depreciation - unallocated	76,642	-	-	(76,642)	-	(76,642)
Total Governmental Activities	\$3,179,115	-	-	(\$3,179,115)	-	(\$3,179,115)
<i>Business-Type Activities</i>						
Water Supply and Management	4,751,705	2,346,651	-	-	(2,405,054)	(2,405,054)
NEPA, Elkhead and Old Dillon	-	-	258,509	-	258,509	258,509
Total Business-Type Activities	4,751,705	2,346,651	258,509	-	(2,146,545)	(2,146,545)
Total District	\$7,930,820	\$2,346,651	\$258,509	(\$3,179,115)	(\$2,146,545)	(\$5,325,660)
General Revenues						
Taxes						
Property taxes				3,769,643	-	3,769,643
Specific ownership taxes				193,944	-	193,944
Interest and investment earnings				54,905	183,229	238,134
Miscellaneous				4,525	-	4,525
Total General Revenues				4,023,017	183,229	4,206,246
Changes in Net Assets				843,902	(1,963,316)	(1,119,414)
Net Assets - Beginning of the Year				8,487,723	95,039,755	103,527,478
Net Assets - End of the Year				9,331,625	93,076,439	102,408,064

The accompanying notes are an integral part of the financial statements.

Colorado River Water Conservation District

December 31, 2010

Governmental Funds Balance Sheet

	General Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,963,934	\$ 4,277,518	\$ 6,241,452
Investments	262,356	464,100	726,456
Property taxes receivable	3,948,565	-	3,948,565
Due from other funds	83,746	950,000	1,033,746
Accrued interest	2,547	4,087	6,634
Accounts receivable	82,870	-	82,870
Notes receivable (net of allowance of \$59,874)	89,078	-	89,078
Total Assets	<u>\$ 6,433,096</u>	<u>\$ 5,695,705</u>	<u>\$ 12,128,801</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 141,166	\$ 12,156	\$ 153,322
Due to other funds	950,000	1,990	951,990
Accrued payroll taxes	4,552	-	4,552
Deferred revenue	3,906,917	-	3,906,917
Total Liabilities	<u>\$ 5,002,635</u>	<u>\$ 14,146</u>	<u>\$ 5,016,781</u>
Fund Balances			
Reserved for emergencies	\$ 90,000	\$ -	\$ 90,000
Unreserved:			
General fund	1,340,461	-	1,340,461
Capital projects fund	-	5,681,559	5,681,559
Total Fund Balances	<u>\$ 1,430,461</u>	<u>\$ 5,681,559</u>	<u>\$ 7,112,020</u>
Total Liabilities and Fund Balances	<u>\$ 6,433,096</u>	<u>\$ 5,695,705</u>	<u>\$ 12,128,801</u>

Colorado River Water Conservation District

December 31, 2010

***Reconciliation of the Governmental Funds Balance Sheet to Net Assets of
Governmental Activities***

Total Fund Balances - Governmental Funds	\$ 7,112,020
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds	2,366,116
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds: Compensated absences	<u>(146,511)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 9,331,625</u></u>

Colorado River Water Conservation District

For the year ended December 31, 2010

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

	General Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 3,769,643	\$ -	\$ 3,769,643
Specific ownership taxes	193,944	-	193,944
Investment income	35,864	19,041	54,905
Miscellaneous	4,525	-	4,525
Total Revenues	\$ 4,003,976	\$ 19,041	\$ 4,023,017
Expenditures			
<i>Current Operating</i>			
County treasurers' fees	127,856	-	127,856
Directors' fees, salary and expense	55,331	-	55,331
Professional and legal	1,960,626	-	1,960,626
General government	168,497	3,688	172,185
External affairs	135,122	-	135,122
Project expense	483,212	143,351	626,563
<i>Capital Outlay</i>	-	77,701	77,701
Total Expenditures	\$ 2,930,644	\$ 224,740	\$ 3,155,384
Excess of Revenues Over (Under) Expenditures	1,073,332	(205,699)	867,633
Other Financing Sources (Uses)			
Operating transfers in	-	950,000	950,000
Operating transfers out	(950,000)	-	(950,000)
Total Other Financing Sources (Uses)	(950,000)	950,000	-
Net Change in Fund Balance	\$ 123,332	\$ 744,301	\$ 867,633
Fund Balance			
Fund Balances - Beginning of Year	1,307,129	4,937,258	6,244,387
Fund Balances - End of Year	\$ 1,430,461	\$ 5,681,559	\$ 7,112,020

Colorado River Water Conservation District

For the year ended December 31, 2010

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Statement of Activities

Total Change in Fund Balances - Governmental Funds \$ 867,633

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed (are less than) depreciation expense in the period:

Capital Outlay	\$ 77,701	
Depreciation Expense	<u>(76,642)</u>	1,059

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:

Increase in compensated absences	<u>(24,790)</u>
----------------------------------	-----------------

Change in Net Assets of Governmental Activities \$ 843,902

Colorado River Water Conservation District
December 31, 2010

Statement of Net Assets – Proprietary Funds

	Business-Type Activity Enterprise Fund
Assets	
Current Assets	
Cash and temporary investments	\$ 18,850,474
Investments	5,843,934
Accounts receivable	65,915
Prepaid Expenses	1,695
Current portion of lease contract receivable	1,623,656
Accrued interest receivable	787,860
Total Current Assets	<u>27,173,534</u>
Capital Assets	
Nondepreciable	
Land	3,091,477
Depreciable	
Office building	574,538
Vehicles, equipment, furniture and fixtures	244,620
Dam project	64,663,953
Recreation area	956,355
Total Capital Assets	<u>69,530,943</u>
Less accumulated depreciation	<u>(8,785,016)</u>
Net Capital Assets	60,745,927
Other Assets	
Investment in Eagle Park Reservoir Company	2,263,001
Investment in Grand County Mutual Ditch & Reservoir Company	205,332
Investment in Ruedi Reservoir Contracts	5,572,857
Restricted cash and investments	1,845,685
Lease contract receivable	19,165,809
Notes receivable (net of allowance of \$39,916)	59,385
Total Other Assets	<u>29,112,069</u>
Total Assets	<u>\$ 117,031,530</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 128,432
Accrued interest payable	646,328
Current portion of long-term liabilities	1,843,685
Compensated absences	100,000
Due to other funds	81,756
Unearned revenue	414,449
Total Current Liabilities	<u>3,214,650</u>
Long-term Liabilities	
Compensated absences	5,097
Notes payable	16,660,351
Contracts payable	4,074,993
Total Long-term Liabilities	<u>20,740,441</u>
Total Liabilities	23,955,091
Net Assets	
Investment in capital assets, net of related debt	42,685,883
Restricted for debt collateralization	1,845,685
Unrestricted	48,544,871
Total Net Assets	<u>93,076,439</u>
Total Liabilities and Net Assets	<u>\$ 117,031,530</u>

Colorado River Water Conservation District
 For the year ended December 31, 2010

Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds

	Business-Type Activity Enterprise Fund
Operating Revenues	
Denver Water interest income	\$ 1,480,632
Sale of water	832,590
Management fee	5,923
Other operating revenue	<u>27,506</u>
Total Operating Revenue	2,346,651
Operating Expenses	
Operating expenses	1,072,788
Depreciation and amortization	1,205,742
Administrative expense	<u>1,526,296</u>
Total Operating Expenses	3,804,826
Operating Loss	(1,458,175)
Nonoperating Revenue (Expenses)	
Investment income	128,830
Joint venture income	54,399
Intergovernmental revenue	258,509
Interest expense	<u>(946,879)</u>
Total Nonoperating Revenues (Expenses)	(505,141)
Change in net assets	(1,963,316)
Total Net Assets - Beginning of Year	<u>95,039,755</u>
Total Net Assets - End of Year	<u><u>\$ 93,076,439</u></u>

Colorado River Water Conservation District
For the year ended December 31, 2010

Statement of Cash Flows – Proprietary Funds

	Business-Type Activity Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,318,485
Payments to suppliers	(1,663,195)
Payments to employees	(844,711)
Net Cash (used by) Operating Activities	<u>\$ (168,210)</u>
Cash Flows From Capital and Related Financing Activities	
Loan payments	(1,771,826)
Interest payments	(997,684)
Payments for purchase of capital assets	(9,850)
Net Cash (used For) Capital and Related Financing Activities	<u>(2,779,360)</u>
Cash Flows From Non-capital Financing Activities	
Intergovernmental	258,509
Interfund borrowing	2,611
Net Cash flows provided by Non-capital Financing Activities	<u>261,120</u>
Cash Flows From Investing Activities	
Purchase of investments	(2,497,966)
Proceeds from sale or maturity of investments	14,366,971
Purchase of shares of Eagle Park Reservoir Company	(742,500)
Interest received on investments and cash deposits	215,411
Principal received on lease contract	1,519,368
Net Cash provided by Investing Activities	<u>12,861,284</u>
Net Increase in Cash	10,174,834
Cash, Beginning of Year	10,521,325
Cash, End of Year	<u>\$ 20,696,159</u>
Displayed as:	
Cash and temporary investments	\$ 18,850,474
Restricted cash	1,845,685
	<u>\$ 20,696,159</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating loss	\$ (1,458,175)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation and amortization	1,205,742
(Increase) in accounts and notes receivable	(16,713)
(Increase) in prepaid expenses	(1,695)
Increase in accounts payable	78,805
Increase in prepaid water fees (unearned revenue)	11,453
Increase in compensated absences	12,373
Net Cash (used in) Operating Activities	<u>\$ (168,210)</u>
Noncash investing and financing activities:	
Change in market value of investments	\$ 37,953
Income in joint ventures	\$ 54,399

Colorado River Water Conservation District

For the year ended December 31, 2010

Notes to the Basic Financial Statements

1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Flows, Basis of Accounting and Summary of Significant Accounting Policies.

A. Nature of Operations and Reporting Entity

The Colorado River District's boundaries include all or part of 15 west central and northwest Colorado counties. The River District was created by the Colorado Legislature in 1937 and is governed by a 15-member board of directors. Each county in the River District has one director appointed to a three-year term by his or her Board of County Commissioners.

Accounting principles generally accepted in the United States of America require the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District has the statutory authority to levy taxes and to issue bonded debt without approval of another government. It has the right to be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the District is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements. The District does, however, participate in joint ventures. See Note 10 regarding these relationships.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expense as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Colorado River Water Conservation District

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Notes to the Basic Financial Statements

The other governmental fund of the District is considered non-major and is as follows:

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary Fund Types: Proprietary funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements and has elected to not apply FASB Statements subsequent to November 30, 1989.

The District reports the Enterprise fund, a major fund, known as the Colorado River Water Projects Enterprise. The Enterprise Fund currently has one major revenue project known as the Wolford Mountain Reservoir Project. The District's major customer for the water stored in the reservoir is Denver Water that accounts for 63% of the operating revenues in this fund. Other revenues to this fund include the sale of water from the Colorado and Eagle river systems.

C. 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*, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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 to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due or matured.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the District enterprise fund are charges to customers for sales and services. Operating expenses for the District's Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Fund Balances

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes govern the District's deposits of cash and investments. Investments for the District are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Colorado River Water Conservation District

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Notes to the Basic Financial Statements

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.”

Notes receivable represent receivable from employees for the home ownership program as discussed in the note 12, net of an allowance for forgiveness of accounts of \$99,790.

Restricted Assets

Certain investments in the District’s Enterprise Fund have been shown as restricted because their use is maintained in a separate account and is restricted by a loan covenant with the Colorado Water Conservation Board.

Investments in Reservoir Stock and Contracts

The District has certain contracted interests in water through its shares in the Grand County Mutual Ditch and Reservoir Company, Eagle Park Reservoir Company and purchase of water rights through contracts with Ruedi Reservoir. See Note 10 regarding the participation in joint ventures related to the Grand County Mutual Ditch and Reservoir Company and the Eagle Park Reservoir Company and Note 11 regarding Ruedi Reservoir water contracts with the Bureau of Reclamation.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

Property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Dam	75 years
Building	40 years
Recreation area	20 - 40 years
Equipment	4 - 10 years

Compensated Absences

The District has the following policy for earning compensated vacation pay.

1 – 6 years	12 days
6 – 12 years	18 days
12 – 18 years	24 days
18 or more years	30 days

The current and long-term liabilities for accumulated vacation are accrued when incurred in the District-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements.

The District has the following policy for compensated sick leave pay: Regular Full-Time employees accrue sick leave at the rate of 1 day per month (12 days per year). Regular Part-Time employees accrue sick leave at the rate of ½ day per month (6 days per year). Employees are allowed to accumulate sick leave throughout the entire period of employment, up to a maximum of 90 days. Sick leave below the maximum of 90 days unused upon termination does not convey any monetary benefit to the employee, nor can it be used for continuation of pay or benefits beyond normal termination. Upon the end of each calendar year, accrued sick leave above 90 days must be converted at the rate of 2 to 1 as a cash equivalent contribution to the employee’s Retirement Health Savings Account (RHSA) plan in January of the following year. The accrued compensated absences attributable to the governmental activities are generally liquidated by the General Fund.

Colorado River Water Conservation District

For the year ended December 31, 2010

Notes to the Basic Financial Statements

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Deferred/Unearned Revenues

In the governmental funds and governmental activities column of the statement of net assets, deferred/unearned revenue represents the deferral of property tax receivables which are levied for a future period. In the Enterprise fund and business type activities column of the statement of net assets, unearned revenue represents billings on the sale of water which have not yet been earned.

Interfund activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Reserved fund balance can only be used for qualifying expenditures.

Net assets

Represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of December 31, 2010, the District has \$90,000 of restricted net assets for enabling legislation for emergencies and \$1,845,685 restricted for debt collateralization. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid in two equal payments. To avoid penalties, the first half must be paid before March 1, and the second half must be paid on or before June 15. Alternatively, the taxes may be paid in full by April 30. All unpaid tax becomes delinquent June 16. Property taxes are levied and collected on behalf of the District by various counties and are reported as revenue by the District in the year in which the tax is budgeted and levied. Since the 2010 tax levy is budgeted and levied for the fiscal year 2011, the revenue from this tax levy has been deferred.

Colorado River Water Conservation District

For the year ended December 31, 2010

Notes to the Basic Financial Statements

2. Interfund Receivables/Payables and Transfers

Figure 1 - Individual interfund receivable and payable balances as of December 31, 2010 are as follows:

	Due From Other Funds	Due to Other Funds
Major funds:		
General fund	\$ 83,746	\$ 950,000
Enterprise fund	-	81,756
Nonmajor fund, capital project fund	950,000	1,990
	<u>\$ 1,033,746</u>	<u>\$ 1,033,746</u>

Interfund balances result from the time lag between the dates that 1) interfund goods or services are provided or reimbursable expenditures occur, 2) transactions are recorded and 3) payments between funds are made.

The following is a schedule of transfers as included in the basic financial statements of the District:

	Transfers In	Transfers Out
Major fund, General fund	\$ -	\$ 950,000
Nonmajor fund, capital projects fund	950,000	-
	<u>\$ 950,000</u>	<u>\$ 950,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

3. Stewardship, Compliance, and Accountability

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Capital Project funds. The Enterprise fund is presented on the basis of revenue, lease receipts, and expenditures. All annual appropriations lapse at fiscal year end. Encumbrances are not employed by the District.

4. Cash, Cash Equivalents, and Investments

A reconciliation of cash, cash equivalents and investments as shown in the financial statements is as follows:

Figure 2 - Cash and Investments

	<u>Primary Government</u>
Cash on hand	\$ 374
Deposits	7,249,464
Investments	26,258,163
	<u>\$ 33,508,001</u>

Cash, cash equivalents, and investments reported in government wide statements:

Cash on Hand/Checking/Money Market	\$ 10,915,143
Restricted cash, includes \$313,656 in LGIP	332,071
Local Government Investment Pool (LGIP)	14,176,783
Total Cash and Cash Equivalents	<u>25,423,997</u>

Investments, includes \$1,513,614 restricted

	8,084,004
Total cash, cash equivalents, and investments reported in government wide statements	<u>\$ 33,508,001</u>

Colorado River Water Conservation District

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Notes to the Basic Financial Statements

Interest rate risk: Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to five years for the General Fund and ten years for the Enterprise Fund, as a means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Investments subject to interest rate risk disclosures are shown below.

Figure 3

Investment name	Maturity	Fair value
Colorado Prime LGIP	no maturity	\$ 13,176,783
CSAFE LGIP	no maturity	838,767
Money Market Mutual Fund	no maturity	3,158,609
WF Short Term Investment Fund	no maturity	1,000,000
FHLB (restricted account)	11/30/12	1,513,614
FHLMC	02/24/11	1,507,969
FHLMC	05/05/11	505,575
FNMA	07/06/11	262,356
FFCB	07/18/11	1,027,188
FFCB	08/18/11	1,006,250
FFCB	09/23/11	1,020,000
FFCB	09/23/11	464,100
FNMA	10/15/11	776,953
Total		\$ 26,258,163

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General Obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Colorado River Water Conservation District

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Notes to the Basic Financial Statements

State law limits investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers. At December 31, 2010, the District's investments were rated as follows:

Figure 4

<u>Investment</u>	<u>Rating</u>	<u>Company</u>	<u>Rating</u>	<u>Company</u>
Colorado Prime LGIP	AAAm	Standard & Poor's	not rated	Moody's
CSAFE LGIP	AAAm	Standard & Poor's	not rated	Moody's
Money Market Mutual Fund	AAA	Standard & Poor's	Aaa	Moody's
WF Short-term Investment Fund	not rated		not rated	
FHLB	AAA	Standard & Poor's	Aaa	Moody's
FFCB	AAA	Standard & Poor's	Aaa	Moody's
FFCB	AAA	Standard & Poor's	Aaa	Moody's
FFCB	AAA	Standard & Poor's	Aaa	Moody's
FFCB	AAA	Standard & Poor's	Aaa	Moody's
FHLMC	AAA	Standard & Poor's	Aaa	Moody's
FHLMC	AAA	Standard & Poor's	Aaa	Moody's
FNMA	AAA	Standard & Poor's	Aaa	Moody's
FNMA	AAA	Standard & Poor's	Aaa	Moody's

Concentration of credit risk: The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the District, and conform to all federal and state statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. In addition, it is also the policy of the District that no more than 50% of the District's funds may be invested in any single money market mutual fund or in any single local government investment pool (LGIP). As of December 31, 2010, the District invested in two LGIPs (COLOTRUST PRIME and CSAFE) and three Institutional Money Market Funds none of which exceeded 50% of the total District funds.

Both COLOTRUST PRIME and CSAFE are Registered Local Government Investment Pools with the Colorado Division of Securities and meet Standard & Poor's investment guidelines to achieve an AAAM Rating, the highest attainable rating for a LGIP. The pools operate similarly to a money market fund and each share is equal in value to \$1.00. Both may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. treasury securities. CSAFE also invests U.S. government agencies and A1 rated Colorado Depositories collateralized at 102%. A designated custodial bank serves as custodian for each LGIP. The custodian acts as safekeeping agent for the LGIP's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. Each custodian's internal records segregate investments owned by the LGIP. Investments in LGIPs are not categorized in terms of custodial credit risk since they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2010, both COLOTRUST PRIME and CSAFE balances were covered by FDIC or PDPA, as described above.

The District also maintains other investment policies to ensure proper diversification by security type and institution.

Investments in any one issuer that represent 5 percent or more of the District's total investments are as follows: FFCB – 13%, FHLB – 6%, FHLMC – 8%, and FNMA – 4%. Investments issued or explicitly guaranteed by the US government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit risk disclosures.

Colorado River Water Conservation District

For the year ended December 31, 2010

Notes to the Basic Financial Statements

Custodial Credit risk:

Deposits

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's monies from various funds are consolidated into a unified portfolio to maximize earnings. Earnings from the portfolio are distributed based on monthly Funds' balances.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations of the United States, the State of Colorado, local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. PDPA allows the institution to create a single collateral pool for all public funds. The pool is maintained by another institution or held in trust for all uninsured public deposits as a group. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA. The District's bank deposits were entirely covered by federal depository insurance (FDIC) or collateralized under PDPA in accordance with state statute.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g. broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2010, the District's investments were not exposed to custodial credit risk.

The District was not subject to foreign currency risk as of December 31, 2010.

5. Pension and Deferred Compensation and RHS Plans

Pension Plan

The District provides pension benefits for all of its full-time employees through a defined contribution plan known as the Colorado River Water Conservation District Pension Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by ING. Employees are eligible to participate after one year of service. The District contributes 10% of the employee's annual compensation. The District's contributions for all currently active employees (and investment earnings allocated to the employee's account) are now fully vested.

The District's total gross payroll for 2010 was \$2,103,564. The District's contributions were calculated using a base salary amount for eligible employees of \$1,935,583. The District made the required 10% contribution totaling \$193,559.

There are 36 participants in the plan (including 13 who are not current employees). As of December 31, 2010, the accumulated plan assets were \$2,774,860. The assets in the pension plan experienced a significant increase in value (\$467,070) due to the turn-around in the stock market as well as the contribution to the District's plan. The plan assets are reported at fair value using quoted market prices.

Deferred Compensation Plan

The District provides all employees with the opportunity to participate in a deferred compensation plan. All assets of the plan belong to the plan participants. At December 31, 2010 the plan net assets were \$2,624,864. The District has elected to match employee contributions up to \$1,800 per year per employee between the 457 and RHS plans. The contributions are based on their age as follows: Under 40 - \$1,800; 40 up to 50 - \$1,200; 50 up to 55 - \$600; 55 and older - No Match. During the year, the District contributed \$15,000 in matching funds. This plan is administered by ICMA-RC.

RHS (Retirement Health Saving) Plan

The District contributes to employee plans by two defined methods: 1) Excess sick (over 720 hours) and excess vacation (2x annual accrual) on a 2-1 ratio, 2) Matching contributions up to \$1,800 depending on the employee's age as follows: Under 40 - No Match; 40 up to 50 - \$600; 50 up to 55 - \$1,200; 55 and older - \$1,800. During the year the District contributed \$47,420, for a year-end accumulated plan asset balance of \$357,822. This plan is also administered by ICMA-RC.

Colorado River Water Conservation District

For the year ended December 31, 2010

Notes to the Basic Financial Statements

6. Net Investment in Sales-Type Lease

Figure 5 - Components of Investment in Sales-type Lease

Description	Amount
Net minimum lease payments receivable	\$ 28,499,996
Less unearned income (representing interest)	(7,710,531)
Net investment in sales-type lease	<u>\$ 20,789,465</u>

The District's leasing operation consists of the leasing of storage space in a reservoir and use of water therein to Denver Water. The revenues under this lease are pledged as collateral under the loan with the Colorado Water Conservation Board (see note 7).

Figure 6 - Maturities Under Sales-type Lease

Year	Interest	Principal	Total
2011	1,376,344	1,623,656	3,000,000
2012	1,264,898	1,735,102	3,000,000
2013	1,145,802	1,854,198	3,000,000
2014	1,018,532	1,981,468	3,000,000
2015	882,526	2,117,474	3,000,000
2016-2020	2,022,429	11,477,567	13,499,996
Total	<u>\$ 7,710,531</u>	<u>\$ 20,789,465</u>	<u>\$ 28,499,996</u>

7. Long-term Debt

Figure 7 - Long-term Debt Activity for the Year-ended December 13, 2010

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government Activities:					
Compensated absences	\$ 121,721	\$ 122,753	\$ 97,963	\$ 146,511	\$ 145,000
Long-term Liabilities	<u>\$ 121,721</u>	<u>\$ 122,753</u>	<u>\$ 97,963</u>	<u>\$ 146,511</u>	<u>\$ 145,000</u>
Business-type Activities:					
Note payable to CWCB (Enterprise Fund)	\$ 9,549,898	\$ -	\$ 675,889	\$ 8,874,009	\$ 709,683
Note payable to CWCB (Enterprise Fund)	9,851,106	-	665,071	9,186,035	690,011
Water contract payable (Enterprise Fund)	4,949,851	-	430,866	4,518,985	443,991
Total notes & contract payable	<u>\$ 24,350,855</u>	<u>\$ -</u>	<u>\$ 1,771,826</u>	<u>\$ 22,579,029</u>	<u>\$ 1,843,685</u>
Compensated absences	\$ 92,724	\$ 76,512	\$ 64,139	\$ 105,097	\$ 100,000
Long-term Liabilities	<u>\$ 24,443,579</u>	<u>\$ 76,512</u>	<u>\$ 1,835,965</u>	<u>\$ 22,684,126</u>	<u>\$ 1,943,685</u>

Colorado River Water Conservation District

For the year ended December 31, 2010

Notes to the Basic Financial Statements

The District carries a note to the Colorado Water Conservation Board (CWCB) related to the construction of the Wolford Mountain Project. The note has a nominal interest rate of 5.0%, an effective annual interest rate of 4.5%. Repayment of the note is due on July 1 of each year through 2020. Annual installments of principal and interest total \$1,153,384. The loan is secured by the first 38% of the annual receipts provided by the lease with Denver Water. Additionally, a restricted account is required to carry a balance of \$1,500,000. As of December 31, 2010, the district maintained an account balance of

\$1,532,030. Total principal and interest remaining to be paid on the note is \$11,481,528. Principal and interest paid for the current year and total receipts provided by the Denver Water lease were \$1,153,384 and \$3,000,000, respectively.

The District has a second note payable to the Colorado Water Conservation Board (CWCB) related to the construction of the Elkhead Reservoir Enlargement. The loan carries an effective annual interest rate of 3.75%. Repayment of the loan started March 1, 2008. Annual installments of principal and interest totaling \$1,034,487 will be paid for 13 years. The loan is secured by 21% of the annual receipts provided by the lease with Denver Water or other Enterprises revenues. In addition, the loan provisions require the District to establish and maintain a debt service reserve account. The District must deposit an amount equal to one-tenth of an annual payment into this account on the due date of its first annual loan payment and annually thereafter for the first ten years of repayment of this loan. As of December 31, 2010, the district maintained an account balance of \$313,655. Total principal and interest remaining to be paid on the note is \$11,379,360. Principal and interest paid for the current year and total receipts provided by the Denver Water lease were \$1,034,487 and \$3,000,000, respectively.

The District has four contracts for the purchase of water from Ruedi Reservoir. The District pays principal and interest on three of these contracts at the rates of 3.5%, 3.27% and 3.04%. These contracts are being amortized through 2019. Annual principal and interest payments total \$581,638 through 2019.

Figure 8 - Schedule of Maturities of Principal and Interest on Long-term Debt

Year	Notes	Contracts	Interest	Total
2011	1,399,694	443,991	925,825	2,769,510
2012	1,461,054	457,515	850,941	2,769,510
2013	1,525,158	471,450	772,902	2,769,510
2014	1,592,132	485,811	691,567	2,769,510
2015	1,662,106	500,609	606,795	2,769,510
2016-2020	9,422,804	2,159,609	1,631,160	13,213,573
2021	997,096	-	37,391	1,034,487
Totals	\$ 18,060,044	\$ 4,518,985	\$ 5,516,581	\$ 28,095,610

Colorado River Water Conservation District

For the year ended December 31, 2010

Notes to the Basic Financial Statements

8. Capital Assets

Figure 9 - Capital Asset Activity for the Year ended December 31, 2010

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 1,374,424	\$ -	\$ -	\$ 1,374,424
Total capital assets, not being depreciated	<u>\$ 1,374,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,374,424</u>
Capital Assets, being depreciated:				
Building	1,151,778	20,000	-	1,171,778
Equipment, Furniture and Fixtures	358,729	57,701	(49,549)	366,881
Total capital assets, being depreciated	<u>1,510,507</u>	<u>77,701</u>	<u>(49,549)</u>	<u>1,538,659</u>
Less accumulated depreciation for:				
Building	(281,535)	(36,862)	-	(318,397)
Equipment, Furniture and Fixtures	(238,339)	(39,780)	49,549	(228,570)
Total accumulated depreciation	<u>(519,874)</u>	<u>(76,642)</u>	<u>49,549</u>	<u>(546,967)</u>
Total capital assets, being depreciated, net	<u>990,633</u>	<u>1,059</u>	<u>-</u>	<u>991,692</u>
Governmental activities capital assets, net	<u>\$ 2,365,057</u>	<u>\$ 1,059</u>	<u>\$ -</u>	<u>\$ 2,366,116</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,091,477	\$ -	\$ -	\$ 3,091,477
Total capital assets, not being depreciated	<u>3,091,477</u>	<u>-</u>	<u>-</u>	<u>3,091,477</u>
Capital assets, being depreciated:				
Building	564,688	9,850	-	574,538
Dam Project	64,663,953	-	-	64,663,953
Recreation Area	956,355	-	-	956,355
Vehicles and Other Equipment	244,620	-	-	244,620
Total capital assets, being depreciated	<u>66,429,616</u>	<u>9,850</u>	<u>-</u>	<u>66,439,466</u>
Less accumulated depreciation for:				
Building	(137,753)	(17,997)	-	(155,750)
Dam Project	(7,191,018)	(869,235)	-	(8,060,253)
Recreation Area	(324,920)	(27,269)	-	(352,189)
Vehicles and Other Equipment	(204,475)	(12,351)	-	(216,826)
Total accumulated depreciated	<u>(7,858,166)</u>	<u>(926,850)</u>	<u>-</u>	<u>(8,785,016)</u>
Total capital assets, being depreciated, net	<u>58,571,450</u>	<u>(917,000)</u>	<u>-</u>	<u>57,654,450</u>
Business-type activities capital assets, net	<u>\$ 61,662,927</u>	<u>\$ (917,000)</u>	<u>\$ -</u>	<u>\$ 60,745,927</u>

The depreciation expense, for governmental activities, is shown as unallocated on the Statement of Activities.

Colorado River Water Conservation District

For the year ended December 31, 2010

Notes to the Basic Financial Statements

9. Commitments and Contingencies

Risk Management

The District is exposed to various risks of loss related to injuries of employees while on the job, property loss and torts committed by the District or its employees. The District has purchased commercial insurance to cover these potential losses. There has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, also known as the Tax Payers Bill of Rights (TABOR) Amendment or Amendment 1, which has several limitations, including revenue raising, spending abilities, and other specific requirements for 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. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

Other Legal Matters

As a result of its involvement with matters of water rights, in the normal course of business the District becomes party to various claims and litigation regarding such matters. While it is reasonable to expect that some of these cases will result in an unfavorable outcome to the District, legal counsel for the District believes any such unfavorable outcome would not materially affect the District's financial position.

10. Joint Ventures

A) The District participates in a joint venture with the Bluestone Water Conservancy District. This joint venture was formed to provide for the collection of revenues on water that has been leased to outside parties. This joint venture does not meet the criteria for inclusion within the reporting entity because it has a separate governing board from that of the District, and the District appoints only half of the members of the Board.

Figure 10 - Summary of Joint Venture Unaudited Financial Information

<u>Description</u>	<u>Amount</u>
Assets	<u>\$ 896,144</u>
Liabilities	\$ 50
Fund Equity	<u>896,094</u>
Total Liabilities and Fund Equity	<u>\$ 896,144</u>
Revenues	\$ 10,222
Expenditures	<u>13,755</u>
Excess of Revenues over Expenditures	<u>\$ (3,534)</u>

Unaudited financial statements of the Bluestone Management Committee can be obtained from the District.

B) The District participates in a joint venture with Grand County Mutual Ditch and Reservoir Company, a nonprofit organization. The Company was formed to purchase shares of the Grand County Irrigation & Land Co including the right to request or receive delivery of water and all beneficial right, title and interest in and to all water rights represented by said shares. The Grand County Mutual Ditch and Reservoir Company issued twenty four shares of common stock allocated proportionally as four shares to the six separate legal entities, including the Colorado River Water Conservation District. The Board of Directors consists of 6 members, one from each of the six shareholders. The District has an ongoing equity interest in the Grand County Mutual Ditch and Reservoir Company of 16.7% or 1/6. As of December 31, 2010, the District's investment in this Company totaled \$205,332. Separate audited financial statements of the Grand County Mutual Ditch Company can be obtained from their office at P.O. Box 824 Winter Park, Colorado 80482.

Colorado River Water Conservation District

For the year ended December 31, 2010

Notes to the Basic Financial Statements

C) The District participates in a joint venture with Eagle Park Reservoir Company, a nonprofit organization along with three other separate legal entities. The Company was formed to acquire water diversion, storage facilities and water rights and operate its water storage facilities located in Eagle County, Colorado, and to deliver water on behalf of its stockholders. The District has an ongoing equity interest in the Eagle Park Reservoir Company of 8.9% and currently owns 2,305 of Class A stock out of a total of 25,890 shares and 225 Class B stock of a total of 1000 shares. As of December 31, 2010, the District's investment in this Company totaled \$2,263,001. Separate audited financial statements of the Eagle Park Reservoir Company can be obtained from their office at 846 Forest Road, Vail Colorado 81657.

11. Water-purchase Contracts

The District has four contracts in place for the purchase of water from the Bureau of Reclamation's Ruedi Reservoir. See Note 7 for discussion of the liability associated with these contracts. The District obtained these water contracts for use in the operations of its Colorado River water Projects Enterprise fund. The investment in these contracts is being amortized over the life of the agreements (25 years) through 2032. The total value of these contracts is \$5,572,857, net of accumulated amortization of \$1,120,559, and is recorded as an investment in Ruedi Reservoir Contracts on the Statement of Net Assets.

12. Employee Home Ownership Program

In 2008, the Board approved an Employee Home Ownership Program. Employees may be eligible for up to 20% of the purchase price or \$50,000, whichever is less. Up to 60% of the loan could be forgiven contingent upon 15 years of continuous employment. As of December 31, 2010, five employees have enrolled in this program. The balance of the note receivable from employees as of December 31, 2010 was \$148,463 net of an allowance for doubtful accounts of \$99,790, which is recorded in both the General Fund and the Enterprise Fund.

13. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The Government Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The District's management has not yet determined the effect these Statements will have on the District's financial statements. However, the District plans to implement all standards by the required dates. The Statements which might impact the District are as follows:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the District beginning with its year ending December 31, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the District beginning with its year ending December 31, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Colorado River Water Conservation District

For the year ended December 31, 2010

Notes to the Basic Financial Statements

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the District beginning with its year ending December 31, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the District beginning with its year ending December 31, 2012. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

Required Supplementary Information

Colorado River Water Conservation District

For the year ended December 31, 2010

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budgetary Basis) – General Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 3,777,312	\$ 3,793,860	\$ 3,769,643	\$ (24,217)
Specific ownership taxes	250,000	180,000	193,944	13,944
Investment income	20,000	20,000	35,864	15,864
Miscellaneous	10,000	10,000	4,525	(5,475)
Total Revenues	\$ 4,057,312	\$ 4,003,860	\$ 4,003,976	\$ 116
Expenditures				
Current Operating				
County treasurers' fees	120,000	130,000	127,856	2,144
Directors' fees, salary and expense	71,600	68,600	55,331	13,269
Professional and legal	2,400,039	2,228,509	1,960,626	267,883
General government	222,600	194,000	168,497	25,503
External affairs	128,400	141,900	135,122	6,778
Project expense	542,755	604,335	483,212	121,123
Emergency and contingency	104,562	101,020	-	101,020
Total Expenditures	\$ 3,589,956	\$ 3,468,365	\$ 2,930,644	\$ 537,720
Excess of Revenues Over Expenditures	\$ 467,356	\$ 535,495	\$ 1,073,332	
Other Financing (Uses)				
Operating transfers out	-	(950,000)	(950,000)	
Total Other Financing (Uses)	-	(950,000)	(950,000)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ 467,356	\$ (414,505)	123,332	
Fund Balance - Beginning of Year			1,307,129	
Fund Balance - End of Year			\$ 1,430,461	

Supplemental Section

Colorado River Water Conservation District
 For the year ended December 31, 2010

Statement of Property Taxes Collected Compared to Budget – General Fund

County	Budget	Actual	Variance Favorable (Unfavorable)
Delta	\$ 58,275	\$ 55,479	\$ (2,796)
Eagle	586,047	595,232	9,185
Garfield	851,239	859,989	8,750
Grand	160,526	160,307	(219)
Gunnison	137,379	140,443	3,064
Hinsdale	8,816	9,001	185
Mesa	390,579	395,015	4,436
Moffat	84,137	84,306	169
Montrose	92,947	93,051	104
Ouray	34,714	34,776	62
Pitkin	605,136	606,347	1,211
Rio Blanco	191,600	191,897	297
Routt	233,802	237,854	4,052
Saguache	463	460	(3)
Summit	319,721	319,566	(155)
Total Property Taxes	\$ 3,755,381	\$ 3,783,723	\$ 28,342
Delinquent Taxes	-	32,548	32,548
Less: Tax Credits & Tax Abatements	19,246	(46,628)	(65,874)
Total Property Taxes Collected	\$ 3,774,627	\$ 3,769,643	\$ (4,984)

Colorado River Water Conservation District

For the year ended December 31, 2010

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund

	Original Budget	Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Investment income	\$ 100,000	\$ 34,000	\$ 19,041	\$ (14,959)
Miscellaneous	250	-	-	-
Total Revenues	<u>\$ 100,250</u>	<u>\$ 34,000</u>	<u>\$ 19,041</u>	<u>\$ (14,959)</u>
Expenditures				
Project assistance	\$ 250,000	\$ 250,000	143,351	106,649
Other capital outlay	45,000	50,000	77,701	(27,701)
Other	48,600	47,700	3,688	44,012
Total Expenditures	<u>\$ 343,600</u>	<u>\$ 347,700</u>	<u>\$ 224,740</u>	<u>\$ 122,960</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (243,350)</u>	<u>\$ (313,700)</u>	<u>\$ (205,699)</u>	
Other Financing Sources				
Sale of Assets	-	-	-	
Transfers in	450,000	950,000	950,000	
Total Other Financing Sources	<u>\$ 450,000</u>	<u>\$ 950,000</u>	<u>\$ 950,000</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ 206,650</u>	<u>\$ 636,300</u>	<u>\$ 744,301</u>	
Fund Balance - Beginning of Year			<u>\$ 4,937,258</u>	
Fund Balance - End of Year			<u>\$ 5,681,559</u>	

Colorado River Water Conservation District

For the year ended December 31, 2010

Statement of Revenues, Lease Receipts, Expenditures and Changes in Net Assets – Budget and Actual (Budgetary Basis) Colorado River Water Projects Enterprise Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Receipts				
Denver Water lease receipts	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ -
Sale of water including capital contributions	835,000	833,000	832,590	(410)
Interest	500,000	450,000	128,830	(321,170)
Miscellaneous	1,000	23,500	27,507	4,007
Management Fee	75,000	71,000	5,923	(65,077)
Grant	50,000	40,000	42,626	2,626
NEPA Cost Reimbursements	-	32,500	41,500	9,000
Old Dillon Reservoir Reimbursements	1,500,000	80,000	59,055	(20,945)
Elkhead Operations Reimbursements	75,000	105,329	115,329	10,000
Total Receipts	\$ 6,036,000	\$ 4,635,329	\$ 4,253,360	\$ (381,969)
Expenditures				
Directors' salaries, fees and expenses	57,100	48,600	35,686	12,914
Staff salaries	881,360	852,486	844,711	7,775
Salary overhead	381,312	366,272	308,207	58,065
Travel & Education	89,250	64,500	65,547	(1,047)
Special counsel	205,500	103,000	56,698	46,302
Administrative services	39,000	32,000	26,878	5,122
Administrative expenses	149,300	133,500	100,338	33,162
External affairs	68,075	112,700	88,230	24,470
Technical support	19,000	21,079	12,679	8,400
Capital outlay	46,000	54,000	2,475	51,525
Wolford Mountain	546,930	700,908	561,883	139,025
Wolford Mtn Hydro & Enlargemnt	25,000	48,220	(2,856)	51,076
Mitigation	31,000	31,000	3,513	27,487
Yampa Projects	283,600	308,913	109,326	199,587
Eagle River projects	119,400	870,997	92,389	778,608
Roaring Fork Projects	640,660	626,005	173,555	452,450
Project Development	1,740,000	505,000	257,474	247,526
Debt service-principle	1,340,959	1,340,959	-	1,340,959
Debt service - interest	846,911	846,911	809,231	37,680
Contingency	-	-	-	-
Total Expenditures	\$ 7,510,357	\$ 7,067,052	\$ 3,545,964	\$ 3,521,088
Excess of Receipts Over (Under) Expenditures	\$ (1,474,357)	\$ (2,431,723)	\$ 707,396	
Reconciliation of Excess of Receipts Under Expenditures to Change in Net Assets				
Capitalized expenditures (net)			-	
Gain on Disposal			-	
Joint Venture Income			54,398	
Depreciation and amortization			(1,205,742)	
Debt service			-	
Remove Denver Water lease receipts			(3,000,000)	
Add Denver Water interest income			1,480,632	
Change in net assets- financial statement basis			\$ (1,963,316)	