

Southeastern Colorado Water Conservancy District



2012 Annual Financial Report



SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southeastern Colorado Water Conservancy District
Pueblo, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Southeastern Colorado Water Conservancy District (District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to an entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of an entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT - CONTINUED

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the District as of December 31, 2012, and the respective change in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The schedule of revenue and expenditure – water activity enterprise fund – budget and actual and the schedule of revenue and expenditure – general fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenue and expenditure – water activity enterprise fund – budget and actual and the schedule of revenue and expenditure – general fund are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Osborne, Parsons & Rosacker LLP

Colorado Springs, Colorado
June 10, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis is to provide an overview of the Southeastern Colorado Water Conservancy District financial condition and operating results of the past year and to inform our constituents about District financial issues and activities. We encourage readers to consider all of the information presented here including the independent auditors' report, the basic financial statements, Notes, and supplementary information.

Government-wide activities and assets include both the Governmental (District) and the Proprietary (Enterprise) Fund. The District functions as a Government Fund with one set of standard accounting policies and the Enterprise functions as a business-type proprietary fund with a different set of standard accounting policies both in accordance with the Generally Accepted Accounting Principles. These policies are discussed in the summary of significant accounting policies in Note one to the financial statements. Reconciliation for the Government Fund is necessary in order to make a consolidated presentation.

FINANCIAL HIGHLIGHTS

1. Government-wide assets exceed its liabilities and deferred inflows by \$107,330,368 at December 31, 2012. The District's ongoing obligations may use the unrestricted net position of the governmental activities totaling \$9,481,285 at December 31, 2012. Unrestricted net position of the business-type activity totals \$10,135,390 at December 31, 2012 and may be used to meet ongoing obligations. The combined total of unrestricted net position available to meet ongoing obligations is \$19,616,675.
2. The District's net position (Government-wide) increased from \$102,485,722 at December 31, 2011 to \$107,330,368 at December 31, 2012. This is an increase of \$4,844,646 or 4.73 percent during the year ended December 31, 2012.
3. The most significant asset of the District is its perpetual water rights that are reported at \$132,237,478. Note four presents more detail relating to the District's capital assets. To calculate Government-wide Net Position of \$107,330,368, the value of the perpetual water rights and land is combined with other assets and long-term liabilities, along with deferred inflows of resources. The Statement of Net Position clearly illustrates these details.
4. The District's debt consists primarily of the amounts due to the U.S. Bureau of Reclamation (Reclamation) totaling \$46,098,071 at December 31, 2012. This includes both the obligation related to the Fryingpan-Arkansas Construction Contract and the Safety of Dams obligation. This represents a decrease of \$4,984,172 during the year ended December 31, 2012. Note five presents the detail of these obligations.

OVERVIEW

This annual report includes a series of financial statements. In addition to this Management's Discussion and Analysis (MD&A), the report consists of (1) Government-wide statements, (2) fund financial statements, (3) the Notes to the financial statements, (4) required supplementary information, and (5) additional information.

The first two basic statements present a Government-wide view of the District's finances. All District operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic governmental and administrative services, the repayment of primary debt, and the protection of the District's water rights. The District's business-type activities carried out by the Proprietary Fund include the sale and administration of water from the Fryingpan-Arkansas Project, related surcharges, and return flows. The Safety of Dams repayment obligation is a long-term debt of the business activity. Projects include: (1) National Environmental Protection Act Environmental Impact Study for the Arkansas Valley Conduit and an Excess Capacity Master Contract, (2) enlargement of the Pueblo Reservoir and Turquoise Lake (3) a lease of power privilege for Hydroelectric Power at the Pueblo Dam, (4) water conservation program for Arkansas Valley Conduit, and other water issues and projects as identified by the Board of Directors. These Government-wide statements are designed to present both the governmental and business-type activities as a consolidated total for the District.

BASIC FINANCIAL STATEMENTS

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets of the District, the liabilities it owes and the deferred inflows and the net difference at December 31, 2012. The net difference is further separated into amounts for net investment in capital assets, restricted for specific purposes, and unrestricted amounts. Governmental activities are reported on the accrual basis of accounting. The Statement of Net Position demonstrates that the District is in a solid position for future operations with net position that has steadily increased in recent years.
- The Statement of Activities focuses on the gross and net costs of the District's programs and the extent to which such programs rely upon the general revenues. This statement summarizes and simplifies the user's ability to determine the extent to which the programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on the Governmental Fund and the Proprietary Fund. Governmental Fund statements follow the more traditional presentation of financial statements and include a reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and a reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities. Statements for the District's Proprietary Fund follow the Governmental funds and include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.

- The Notes to the financial statements provide additional disclosures required by Generally Accepted Accounting Principles and provide information to assist the reader in understanding the District's financial condition.

The MD&A is intended to explain the significant changes in the financial position and differences in operations between current and prior years. The MD&A includes currently known information that management is aware of at the date of the auditor's report. Please read it in conjunction with the District's financial statements that follow this section.

GOVERNMENT-WIDE

The District had a successful year in 2012. We continued to make timely repayments on our long-term debt while maintaining our capital assets and our financial investment reserves. The Total Net Position is the best indicator in this presentation of a successful year as it displays the increased net position at December 31, 2012.

Government-Wide
Condensed Statement of Net Position
December 31

	2012	2011	Dollar Change
Current assets	\$ 33,343,645	\$ 33,264,458	\$ 79,187
Capital assets, net	132,990,944	133,023,373	(32,429)
Total Assets	<u>166,334,589</u>	<u>166,287,831</u>	<u>46,758</u>
Current liabilities	11,673,254	11,469,266	203,988
Long-term liabilities	40,490,673	45,593,176	(5,102,503)
Total Liabilities	<u>52,163,927</u>	<u>57,062,442</u>	<u>(4,898,515)</u>
Deferred inflows of resources	<u>6,840,294</u>	<u>6,739,667</u>	<u>100,627</u>
Net investment in capital assets	87,563,693	82,671,950	4,891,743
Restricted for TABOR	150,000	150,000	0
Unrestricted	19,616,675	19,663,772	(47,097)
Total Net Assets	<u>\$ 107,330,368</u>	<u>\$102,485,722</u>	<u>\$ 4,844,646</u>

GOVERNMENTAL ACTIVITIES

The following table compares revenues and expenses for the governmental activities for 2012 and 2011.

Condensed Comparative Statement of Activities			
Governmental Activities			
Year Ending December 31			
	2012	2011	Dollar Change
Revenues			
Program revenues –			
Charges for services	\$ 7,062,867	\$ 9,023,228	\$(1,960,361)
Grants	25,010	51,450	(26,440)
General Revenues-			
Property taxes	6,687,420	6,922,802	(235,382)
Specific ownership taxes	620,235	593,282	26,953
Investment earnings	72,134	150,027	(77,893)
Other	13,044	756	12,288
Total Revenues	<u>14,480,710</u>	<u>16,741,545</u>	<u>(2,260,835)</u>
Expenses			
General government	9,501,061	9,864,219	(363,158)
Total Expenses	<u>9,501,061</u>	<u>9,864,219</u>	<u>(363,158)</u>
Change in net position	4,979,649	6,877,326	(1,897,677)
Net position, beginning of year	<u>92,215,329</u>	<u>85,338,003</u>	<u>6,877,326</u>
Net position, end of year	<u>\$ 97,194,978</u>	<u>\$92,215,329</u>	<u>\$ 4,979,649</u>

Strategically the District analyzes the primary debt of the Fryingpan-Arkansas Project and the rate that the debt is retired. Reclamation estimates that the primary debt will be paid by 2020. Due to the acceleration of payment, negotiations with Reclamation and other related parties ensued to maximize the financial soundness of the entire Project including all related elements.

Charges for services decreased in 2012 due to a contract change with Reclamation. Reclamation applies miscellaneous revenues collected by Reclamation and the District to the District's repayment contract for the Fryingpan-Arkansas Project. It was determined that other features might also be paid off with the revenue. These features include the South Outlet construction on the Pueblo Dam, enlargement of Ruedi Reservoir and the Fountain Valley Authority primary debt on a pipeline constructed between Pueblo Reservoir and Fountain Valley.

A smaller portion of collected miscellaneous revenue continues to be used towards the primary debt of the Fryingpan-Arkansas Project. The future use of funds will be applied towards the Arkansas Valley Conduit, a feature that has not yet been completed, but part of the original contract. Reclamation estimates the repayment of this project to begin in 2020.

A decrease in property tax revenues reflects the down turn in the local economy. Assessments are done in the year prior to receipt of ad valorem tax. Home prices dropped significantly in the third quarter of 2011 through the second quarter of 2012. This had an impact of \$235,382 on revenue used to repay the primary debt. However, Specific Ownership taxes increased in 2012, which reflects the ongoing economic recovery towards the end of 2012.

The decreases in general government expense is attributable to two items of note. The Fryingpan-Arkansas Project annual payment is proportionate to the collection of tax revenues. Due to a decrease in tax levy, the payment was reduced. The District also hired legal counsel on staff. The net effect was a reduction in expenses of \$64,000.

BUSINESS TYPE ACTIVITIES

The following table compares revenues and expenses for the business-type activities for 2011 and 2012.

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for services & sales	\$ 1,021,555	\$ 2,415,184	\$(1,393,629)
Intergovernmental revenue	237,263	118,154	119,109
General Revenues			
Investment earnings	74,106	154,800	(80,694)
Total Revenues	<u>1,332,924</u>	<u>2,688,138</u>	<u>(1,355,214)</u>
Expenses			
Water Activity Enterprise	<u>1,467,927</u>	<u>2,133,148</u>	<u>(665,221)</u>
Total Expenses	<u>1,467,927</u>	<u>2,133,148</u>	<u>(665,221)</u>
Change in net position	(135,003)	554,990	(689,993)
Net position, January 1	<u>10,270,393</u>	<u>9,715,403</u>	<u>554,990</u>
Net position, December 31	<u>\$10,135,390</u>	<u>\$10,270,393</u>	<u>\$ (135,003)</u>

The Water Activity Enterprise (Enterprise) functions from a solid financial base; however, the success of the Proprietary Fund is more accurately measured by the impact that it has facilitating projects within the District that benefit our constituents. The Enlargement program continued to progress in 2012 with projected increased activity in 2013 to move the program forward. The newest development within the Enterprise is Hydroelectric Power. The development of Hydroelectric Power as an additional revenue source will significantly increase the future financial activity within the Proprietary Fund.

Progress continues to be made in serving as a leader for community water development projects. Interested participants in the Arkansas Valley Conduit (AVC) and the Long-Term Excess Capacity Master Storage Contract (Excess Capacity) programs signed a Memorandum of Agreement with the District and Reclamation in 2011, to complete the National Environmental Protection Act Environmental Impact Study (NEPA EIS) on the development of both projects. As a feature of the Fryngpan-Arkansas Project, AVC is eligible for Federal appropriations and a primary loan. However, Excess Capacity participants are pursuing a storage contract and must reimburse the District and Reclamation for any work done to pursue this venture.

There is decrease in charges for services and sales within the Business Activities of the Enterprise. In 2011, participants in the Excess Capacity Contract with Reclamation began the NEPA EIS. They funded \$850,000 of this work in 2010 and 2011. In 2012, these participants contributed only \$122,000 towards the project. This reflects a decrease in revenue. As this is a pass through activity for the Enterprise, the related expense for the compliance study, reduced expenses within the Enterprise.

In 2012, Colorado's drought had a direct impact on water sales and surcharge revenue. In 2011, Project water sales totaled \$556,000. This amount was only \$69,000 in 2012. This had a direct effect on related surcharges including the Safety of Dams and Water Activity Enterprise, and on the Return Flow and Well Augmentation water sales that Enterprise normally collects.

BUDGET ANALYSIS

In December 2011, the District's Board of Directors adopted a budget for Government funds for the calendar year 2012 following a public hearing as required by state law. The original budgeted appropriation for the year ended December 31, 2012 totaled \$14,923,767. The District chose not to modify the expenditure by amendment in 2012. Actual expenditures for 2012 totaled \$13,592,076. The variance of \$1,331,691 in the budget analysis is due to a number of factors. Staff budgeted \$850,000 for the purpose of participating in the east slope water entities efforts to acquire water to fulfill the District's proportionate obligation under the final programmatic biological opinion for Bureau of Reclamation's operations and depletions, other depletions, and funding and implementation of recovery program actions in the upper Colorado River above the Gunnison River. This program was delayed due to contract negotiations. This capital outlay has been included in the 2013 budget as well as the 2013 anticipated contribution. There were a number of conservative efforts made by staff and management in 2012, to mitigate an unanticipated reduction in revenues due to drought and national economic issues. The required supplementary information schedule details the General Fund budgetary comparison.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At December 31, 2012 and 2011, the District had \$132,237,478 invested in perpetual water rights classified as a non-depreciable capital asset. Office furniture and equipment was inventoried and obsolete items removed from the asset list. Note four details the capital assets.

Capital Assets as of December 31

	<u>2012</u>	<u>2011</u>
Nondepreciable Assets		
Perpetual water rights	132,237,478	132,237,478
Land	20,092	20,092
	<u>132,257,570</u>	<u>132,257,570</u>
Depreciable Assets		
Buildings and Improvements	1,192,649	1,192,649
Furniture & Equipment	405,104	406,849
	<u>1,597,753</u>	<u>1,599,498</u>
Accumulated Depreciation	<u>(864,379)</u>	<u>(833,695)</u>
Capital Asset, Net	<u>\$ 132,990,944</u>	<u>\$ 133,023,373</u>

The contract between the District and Reclamation stipulates that the District is responsible for repayment of a portion of the costs of the Fryingpan-Arkansas Project. The total estimated repayment obligation for the District in 1981 was \$132,237,478. This represented \$74,348,993 allocated to agriculture and \$57,888,485 allocated to municipal and industrial. Each year the District also incurs operating and maintenance costs.

The District utilizes the collection of ad valorem property tax and Winter-water storage charges to retire the debt. Reclamation credits miscellaneous revenue to the repayment of the Project debt based on contracts for use of Fryingpan-Arkansas facilities for storage and delivery of non-Project water.

The repayment contract period is for 40 years with an extension of ten years. The District is well within this time period with an estimated principal balance owed at December 31, 2012 of \$45,427,251. Because the balance owed is less than the original cost allocated to municipal and industrial users, future payments will be applied to operating and maintenance cost first, and then to the agriculture portion of the original construction which is free of interest.

In addition to the obligation for the original reimbursable construction costs, another contract was entered into on July 15, 1998 with Reclamation for the repayment of funds expended for a

federally performed Safety of Dams modification program. The Proprietary Fund pays \$60,000 per year from surcharge fees collected on water activities within the District boundaries for the agricultural portion of debt. The municipal portion was paid off in 2010. The balance of this contract obligation at December 31, 2012 totals \$670,820.

FINANCIAL CONTACT

The District's financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. Any questions should be directed to the staff at the District office at 31717 United Avenue, Pueblo, Colorado, 81001.

BASIC FINANCIAL STATEMENTS

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 3,660,911	\$ 1,245,915	\$ 4,906,826
Investments	6,104,934	9,733,664	15,838,598
Receivables	6,902,916	216,872	7,119,788
Prepaid contract obligation and other assets	5,372,138	106,295	5,478,433
Capital assets -			
Land and nondepreciable capital assets	132,257,570	-	132,257,570
Other capital assets, net of accumulated depreciation	733,374	-	733,374
Total Capital Assets	132,990,944	-	132,990,944
 TOTAL ASSETS	 155,031,843	 11,302,746	 166,334,589
LIABILITIES			
Accounts payable	27,513	107,475	134,988
Advance on contract obligation	5,352,960	-	5,352,960
Outside agency deposits	-	389,061	389,061
Long-term liabilities -			
Due within one year -			
Contracts	5,659,178	60,000	5,719,178
Compensated absences	77,067	-	77,067
Due in more than one year -			
Contracts	39,768,073	610,820	40,378,893
Compensated absences	111,780	-	111,780
TOTAL LIABILITIES	50,996,571	1,167,356	52,163,927
DEFERRED INFLOWS OF RESOURCES			
Property taxes	6,840,294	-	6,840,294
NET POSITION			
Net investment in capital assets	87,563,693	-	87,563,693
Restricted for labor	150,000	-	150,000
Unrestricted	9,481,285	10,135,390	19,616,675
 TOTAL NET POSITION	 \$ 97,194,978	 \$ 10,135,390	 \$ 107,330,368

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities -			
General government	\$ 9,501,061	\$ 7,062,867	\$ 25,010
Total governmental activities	<u>9,501,061</u>	<u>7,062,867</u>	<u>25,010</u>
Business-type activities -			
Water activity	1,467,927	1,021,555	237,263
Total business-type activities	<u>1,467,927</u>	<u>1,021,555</u>	<u>237,263</u>
 TOTAL	 <u>\$ 10,968,988</u>	 <u>\$ 8,084,422</u>	 <u>\$ 262,273</u>
General revenues -			
Property taxes levied for general government purposes			
Property taxes levied for specific purposes			
Specific ownership taxes			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position, January 1			
Net position, December 31			

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Change in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (2,413,184)	\$ -	\$ (2,413,184)
<u>(2,413,184)</u>	<u>-</u>	<u>(2,413,184)</u>
-	<u>(209,109)</u>	<u>(209,109)</u>
-	<u>(209,109)</u>	<u>(209,109)</u>
<u>(2,413,184)</u>	<u>(209,109)</u>	<u>(2,622,293)</u>
247,375	-	247,375
6,440,045	-	6,440,045
620,235	-	620,235
72,134	74,106	146,240
13,044	-	13,044
<u>7,392,833</u>	<u>74,106</u>	<u>7,466,939</u>
4,979,649	(135,003)	4,844,646
<u>92,215,329</u>	<u>10,270,393</u>	<u>102,485,722</u>
<u>\$ 97,194,978</u>	<u>\$ 10,135,390</u>	<u>\$ 107,330,368</u>

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2012**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,660,911
Investments	6,104,934
Receivables	6,902,916
Prepaid contract obligation and other prepaid items	<u>5,372,138</u>
 TOTAL ASSETS	 <u>\$ 22,040,899</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities -	
Accounts payable	\$ 27,513
Advance on contract obligation	<u>5,352,960</u>
Total Liabilities	<u>5,380,473</u>
Deferred inflows of resources -	
Property taxes	<u>6,840,294</u>
Total deferred inflows of resources	<u>6,840,294</u>
Total liabilities and deferred inflows of resources	<u>12,220,767</u>
Fund balances -	
Nonspendable	19,178
Restricted	150,000
Committed	7,000,000
Assigned	1,950,488
Unassigned	<u>700,466</u>
Total fund balances	<u>9,820,132</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 22,040,899</u>

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Total fund balance - governmental fund		\$ 9,820,132
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. The cost of these assets is capitalized and expensed over their estimated useful lives in the statement of net position and the statement of activities

Cost of capital assets	\$ 133,855,323		
Accumulated depreciation	<u>(864,379)</u>	132,990,944	

Liabilities that are not due and payable in the current period are not reported in the governmental fund but are reported in the statement of net position as follows:

Contract payable	(45,427,251)		
Compensated absences	<u>(188,847)</u>	<u>(45,616,098)</u>	

Total net position - governmental activities		<u>\$ 97,194,978</u>
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The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2012**

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 6,687,420
Specific ownership taxes	620,235
Fountain Valley Authority contract revenue	5,353,598
Winter water storage	118,038
Charges for services	923,029
Intergovernmental	25,010
Investment revenue	72,134
Other	13,044
TOTAL REVENUES	<u>13,812,508</u>
 EXPENDITURES	
Current -	
Outside services	341,500
Personnel expense	1,169,240
Travel and related expenses	47,701
Office and administrative expenses	177,925
Collection fees	112,005
Legislative and water education	35,000
Winter water storage	118,038
Fountain Valley Authority contract payments	5,353,598
Bureau operations, maintenance and repairs	2,068,134
Capital outlay	24,970
Debt service -	
Principal	4,255,970
TOTAL EXPENDITURES	<u>13,704,081</u>
 NET CHANGE IN FUND BALANCE	 108,427
 FUND BALANCE, January 1	 <u>9,711,705</u>
 FUND BALANCE, December 31	 <u><u>\$ 9,820,132</u></u>

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

Net change in fund balance - governmental fund \$ 108,427

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

Capital outlays are reported in the governmental fund as expenditures; however, these costs are reported in the statement of net position and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay

Depreciation expense	\$ (57,399)	
Capital outlay	<u>24,970</u>	(32,429)

In the statement of activities, revenues received by the Bureau of Reclamation from other entities are reported as program revenues since these revenues reduce the District's contract obligation. However, these amounts do not represent current financial resources and thus are not reported in the fund

668,203

The governmental fund reports the principal repayment of the contract obligation as an expenditure

4,255,970

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amounts actually paid. This year the amount earned \$97,589 exceeded the amount paid \$77,067

(20,522)

Change in net position - governmental activities \$ 4,979,649

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2012**

	<u>Enterprise Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,245,915
Investments	9,733,664
Accounts receivable	186,957
Accrued interest receivable	29,915
TOTAL CURRENT ASSETS	<u>11,196,451</u>
OTHER ASSETS	
Deposits	<u>106,295</u>
TOTAL OTHER ASSETS	<u>106,295</u>
TOTAL NONCURRENT ASSETS	<u>106,295</u>
TOTAL ASSETS	<u>11,302,746</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	107,475
Contract with Bureau of Reclamation	60,000
Outside agency deposits	389,061
TOTAL CURRENT LIABILITIES	<u>556,536</u>
NONCURRENT LIABILITIES	
Contract with Bureau of Reclamation	<u>610,820</u>
TOTAL NONCURRENT LIABILITIES	<u>610,820</u>
TOTAL LIABILITIES	<u>1,167,356</u>
NET POSITION	
Unrestricted	10,135,390
TOTAL NET POSITION	<u>\$ 10,135,390</u>

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2012**

	Enterprise Fund
OPERATING REVENUES	
Charges for services	\$ 1,021,555
TOTAL OPERATING REVENUES	1,021,555
OPERATING EXPENSES	
Outside services	364,996
Office and administrative expenses	872,626
Travel and related expenses	4,532
Legislative and water education	225,773
TOTAL OPERATING EXPENSES	1,467,927
OPERATING INCOME (LOSS)	(446,372)
NONOPERATING REVENUES	
Intergovernmental revenue	237,263
Interest revenue	74,106
TOTAL NONOPERATING REVENUES	311,369
CHANGE IN NET POSITION	(135,003)
NET POSITION, January 1	10,270,393
NET POSITION, December 31	\$ 10,135,390

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2012

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 868,713
Cash paid for goods and services	<u>(1,374,090)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(505,377)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment on contract obligation	(60,000)
Intergovernmental revenue received	237,263
Acquisition of deposits	<u>(56,295)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>120,968</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of investments	(6,690,428)
Maturity and sales of investments	4,896,150
Investment revenue received	<u>86,157</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(1,708,121)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,092,530)
CASH AND CASH EQUIVALENTS, January 1	<u>3,338,445</u>
CASH AND CASH EQUIVALENTS, December 31	<u><u>\$ 1,245,915</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (446,372)
Adjustments to reconcile operating income to net cash (used) by operating activities -	
Accounts receivable	(103,052)
Accounts payable	93,837
Unearned revenue	<u>(49,790)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (505,377)</u></u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Change in fair value of investments	<u><u>\$ 17,333</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southeastern Colorado Water Conservancy District (the District) was created in 1958 under Colorado statutes to manage water resources of the Arkansas River Basin and to function as the legal taxing agency for the administration of the Fryingpan-Arkansas project and contracting agent with the federal government for reimbursable costs of the project.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting practices used by the District are described below.

A. REPORTING ENTITY

As required by generally accepted accounting principles, the District (the primary government) includes, if applicable, component units in its financial statements based upon financial accountability. Inasmuch as no component unit meets the criteria for inclusion, no component unit financial statements have been included.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all of the activities of the District. For the most part, the effect of interfund 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 government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. Program revenues include, if applicable, (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other internally dedicated resources are reported as general revenues rather than program revenues. The net cost by function or business-type activity is normally covered by general revenues such as property taxes, specific ownership taxes or other unrestricted revenues.

Separate fund financial statements are provided for the major governmental fund and the major proprietary fund.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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 are the fund financial statements for the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied, while grants and similar items are recognized as revenue when all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred as is the case with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund, while proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, interest and charges for services are considered revenues susceptible to accrual. Contributions and miscellaneous revenue are recorded as revenues when received in cash because they are not generally measurable until received in cash.

Business-type activities and the proprietary fund are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the activity or fund are included on the statement of net position. The proprietary fund-type operating statement presents increases (revenues) and decreases (expenses) in net position. The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operation. The principal operating revenues of the District's water activity enterprise are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, along with administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

GOVERNMENTAL FUND

The District reports the following major governmental fund:

- The general fund is the primary operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources of the District except those required to be accounted for in a separate fund. Major revenue sources include property taxes, specific ownership taxes, and contractual revenue. Primary expenditures include general government and debt service.

PROPRIETARY FUND

The following is a description of the major proprietary fund of the District:

- The water activity fund includes the sale and administration of water for the Fryingpan-Arkansas project, related surcharges and return flows. In addition, this fund is responsible for the safety of dams repayment obligation. Other projects accounted for in this fund include (1) the environmental impact study and water conservation program for the Arkansas Valley Conduit; (2) an excess capacity water contract; (3) possible enlargement of the Pueblo Reservoir and Turquoise Lake and (4) a lease of power privilege for hydroelectric power at the Pueblo dam. This fund also may include other water related issues and projects as identified by the board of directors.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is the administrative charge imposed on the water activity enterprise fund by the general fund. Elimination of this charge would distort the direct costs and program revenues reported for the functions affected. When both restricted and unrestricted resources are available for net asset use, it is the District's policy to use restricted resources first and then use unrestricted resources as they are needed.

D. BUDGETARY PRINCIPLES

The District adheres to the following procedures in establishing its budgets:

On or before October 15 of each year, the finance manager submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments and the District adopts budgets for all funds. All funds, including the enterprise fund, use the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law through the passage of appropriation resolutions. Budgetary control exists at the total fund level and the budget amounts reported reflect all amendments, if any, enacted by the District.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

E. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist of interest and non-interest-bearing demand deposits and money market mutual funds held at a brokerage. Investments include U.S. Treasury notes and agency securities that are reported at fair value based on quoted market prices. Any related unrealized gain or loss is included as part of investment revenue.

F. PROPERTY TAXES

Property taxes are levied by December 15 of each year based on the assessed value of property as certified by the County Assessor in each county within the District's boundaries by the previous December 10th. Assessed values are a percentage of actual values and a reevaluation of all property must be made every two years. The last reevaluation date was January 1, 2012 for the 2010 base year specified by state law.

The taxes levied by December 15, 2012 reflect 2012 property taxes that will be collected in 2013 by the County Treasurer in each county within the District's boundaries. Taxes collected by each Treasurer are remitted to the District on a monthly basis. These taxes are due January 2, 2013 and may be paid in two installments (February 28 and June 15) or they may be paid in full April 30. Taxes not paid in accordance with this schedule accrue interest and penalty charges and are subject to liens if not paid by November.

G. INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified, if applicable, as "due from other funds" and "due to other funds" in the fund financial statements.

H. PREPAID ITEMS

Prepaid items represent payments made for expenditures to be charged to a future accounting period. The prepaid contract obligation reported in the governmental activities and the general fund are also reported as a liability since the collection of the funds occurs prior to the accounting period for which it is effective and is characterized as an exchange transaction under generally accepted accounting principles.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

I. CAPITAL ASSETS

Capital assets, which include perpetual water rights, land, buildings and improvements, along with furniture and equipment are reported in the governmental activity column of the government-wide financial statements. The District previously established a capitalization threshold of \$5,000. This level was set so as to maintain a balance between accountability and managing the costs of recording and tracking these assets. Capital assets are defined as assets with an initial individual cost or estimated cost that equals or exceeds the limit identified above and have a useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair value at the time received. Normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of assets constructed when material. No interest was capitalized during the year ended December 31, 2012.

Capital assets of the District, except for land and perpetual water rights, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Governmental Activities</u>
Buildings and improvements	5-30
Furniture and equipment	3-10

Perpetual water rights represent the District's share of the original costs of construction and are not depreciated or amortized. The original contract between the United States Bureau of Reclamation and the District grants the District perpetual rights to use water made available by the project. Project property and all related facilities remain in the exclusive control, possession and ownership of the United States.

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate vacation and sick pay benefits up to predetermined maximums and are compensated for these accumulated vacation and sick pay benefits either through paid time off or at termination or retirement.

Accumulated vacation and sick leave is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured; for example, as a result of employee resignations and retirements.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

K. LONG-TERM LIABILITIES

In the government-wide financial statements and the fund financial statements for the enterprise fund, the safety of dams contract obligation to the Bureau of Reclamation is reported as a liability in the applicable statement of net position. No imputed interest is considered in relation to this obligation.

L. FUND EQUITY

The governmental fund reports fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for the District's governmental fund consists of the following:

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term notes receivable.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the District's board of directors. Commitments may be modified or changed only by the District's board of directors approving a new resolution.
- Assigned – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District's board of directors to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.
- Unassigned – this is the residual classification for the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

In the government-wide financial statements, net position is classified in the following categories:

- Net investment in capital assets – this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction or improvement of capital assets.
- Restricted net position – this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

- Unrestricted net position – this classification represents the remainder of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

M. INTERFUND TRANSACTIONS

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

N. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. NEW ACCOUNTING PRONOUNCEMENTS

During the year ended December 31, 2012, the District implemented new GASB standards as follows:

- GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in pre-November 30, 1989 GASB and AICPA Pronouncements. The objective of this statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. The implementation of this standard had no material effect on the District’s financial reporting as of and for the year ended December 31, 2012.
- GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. This effect of this standard essentially renamed the government-wide statement of net assets and the proprietary funds’ statement of net assets to the statement of net position. In addition, the proprietary funds’ statement of revenues, expenses and changes in fund net assets was also renamed to the statement of revenues, expenses and changes in fund net position.
- GASB Statement 65, Items Previously Reported as Assets and Liabilities. The objective of this statement, which is a companion standard to GASB 63, is to specifically identify certain items that were previously reported as assets or liabilities and now report those items as deferred outflows of resources or deferred inflows of resources. The effective date of this statement was for the year ended December 31, 2013, but the District elected to early implement this standard to correspond to the implementation date for GASB 63. The effect of this statement for the District was to reclassify from deferred revenue to a deferred inflow of resources the 2012 property taxes that were levied for 2013.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are summarized as follows:

Cash and cash equivalents		
Demand deposits	\$	565,114
Money market mutual funds held at brokerages		<u>4,341,712</u>
	<u>\$</u>	<u>4,906,826</u>
Investments		
U.S. Treasury notes, at fair value	\$	3,019,257
U.S. agency securities, at fair value		<u>12,819,341</u>
	<u>\$</u>	<u>15,838,598</u>

DEPOSITS

At December 31, 2012, the carrying amount of the District's deposits was \$565,114 and the bank balance was \$620,590. Of the bank balance, \$330,378 was covered by federal depository insurance and \$290,212 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The market value of the collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes as described above. At December 31, 2012, deposits with a bank balance of \$290,212 are not insured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the District's name.

INVESTMENTS

The District is subject to the provisions of Colorado Revised Statutes 24-75-601 which is entitled "Concerning Investment in Securities by Public Entities". This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts, and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

At December 31, 2012, the District had the following investments and maturities:

	Fair Value	Investment Maturity (in years)	
		<u>Less than 1</u>	<u>1-5</u>
Money market mutual funds	\$ 4,341,712	\$ 4,341,712	\$ -
U.S. Treasury notes	3,019,257	1,002,539	2,016,718
U.S. agency securities	<u>12,819,341</u>	<u>2,013,422</u>	<u>10,805,919</u>
	<u>\$ 20,180,310</u>	<u>\$ 7,357,673</u>	<u>\$ 12,822,637</u>

The investment maturity tabulation presented above for the U.S. Treasury notes and U.S. agency securities is based on each security's stated maturity date.

Interest rate risk – The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – State law limits investments in money market funds to funds that are registered as an investment company; the fund investment policies must seek to maintain a constant price and no sales or bond fee can be added to the purchase or redemption price. The Authority has no investment policy that would further limit its investment choices. As of December 31, 2012, the District's investment in money market funds is rated Aaa-mf by Moody's, while the U.S. Treasury notes and U.S. agency securities are rated Aaa by Moody's.

NOTE 3 – RECEIVABLES

Receivables at December 31, 2012 consist of the following:

	<u>General Fund</u>
Property taxes	\$ 6,840,294
Accounts	55,101
Interest	<u>7,521</u>
	<u>\$ 6,902,916</u>
	 <u>Water Activity</u> <u>Enterprise Fund</u>
Accounts	\$ 186,957
Interest	<u>29,915</u>
	<u>\$ 216,872</u>

The amount reported above for property taxes totaling \$6,840,294 is also reported as a deferred inflow of resources as required under generally accepted accounting principles.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2012 was as follows:

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2012</u>
Governmental activities –				
Nondepreciable assets –				
Intangible assets -				
Perpetual water rights	\$ 132,237,478	\$ -	\$ -	\$ 132,237,478
Land	<u>20,092</u>	<u>-</u>	<u>-</u>	<u>20,092</u>
Total capital assets not being depreciated	<u>132,257,570</u>	<u>-</u>	<u>-</u>	<u>132,257,570</u>
Depreciable assets –				
Buildings and improvements	1,192,649	-	-	1,192,649
Furniture and equipment	<u>406,849</u>	<u>24,970</u>	<u>(26,715)</u>	<u>405,104</u>
Total capital assets being depreciated	<u>1,599,498</u>	<u>24,970</u>	<u>(26,715)</u>	<u>1,597,753</u>
Less: accumulated depreciation –				
Buildings and improvements	(498,406)	(39,231)	-	(537,637)
Furniture and equipment	<u>(335,289)</u>	<u>(18,168)</u>	<u>26,715</u>	<u>(326,742)</u>
Total accumulated depreciation	<u>(833,695)</u>	<u>(57,399)</u>	<u>26,715</u>	<u>(864,379)</u>
Capital assets being depreciated, net	<u>765,803</u>	<u>(32,429)</u>	<u>-</u>	<u>733,374</u>
Total governmental activities capital assets, net	<u>\$ 133,023,373</u>	<u>\$ (32,429)</u>	<u>\$ -</u>	<u>\$ 132,990,944</u>

Depreciation expense of \$57,399 was charged to the general government function.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities in the government-wide financial statements for the year ended December 31, 2012:

	Balance January 1, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2012</u>	Due Within <u>One Year</u>
Governmental activities – Contract obligation – Bureau of Reclamation	\$ 50,351,423	\$ 2,068,135	\$ 6,992,307	\$ 45,427,251	\$ 5,659,178
Compensated absences	<u>168,326</u>	<u>97,588</u>	<u>77,067</u>	<u>188,847</u>	<u>77,067</u>
Total governmental activities	<u>\$ 50,519,749</u>	<u>\$ 2,165,723</u>	<u>\$ 7,069,374</u>	<u>\$ 45,616,098</u>	<u>\$ 5,736,245</u>

Payments on the contract obligation to the Bureau of Reclamation and the compensated absences liability are recorded in the general fund.

	Balance January 1, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2012</u>	Due Within <u>One Year</u>
Business-type activities - Safety of dams contract obligation	<u>\$ 730,820</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 670,820</u>	<u>\$ 60,000</u>

The above obligation is serviced by the District's water activity enterprise fund.

The following is a description of each individual issue for the governmental activities:

The original contract obligation to the Bureau of Reclamation totaled \$132,237,478 and represents the District's share of the original costs of construction. The agreement with the Bureau of Reclamation included an agricultural component totaling \$74,348,993 with no interest provision and a municipal and industrial component totaling \$57,888,485 that carried an interest rate of 3.0460% and was completely paid effective September 30, 2009. Principal payments are due in annual installments ranging from \$5,461,180 to \$6,668,622. The agreement allows the Bureau of Reclamation to charge operations, maintenance and repairs incurred by the Bureau of Reclamation to the obligation and also provides for reductions to the obligation for contract revenues collected by the Bureau of Reclamation on behalf of the project.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5 - LONG-TERM LIABILITIES (Cont'd.)

Due to fiscal year and timing differences between the Bureau of Reclamation and the District, the District estimates the changes in the obligation based on reports provided by the Bureau. The estimated principal balance of the obligation at December 31, 2012 was \$45,427,251.

The estimated debt service requirements for the governmental activities contract obligation with the Bureau of Reclamation is as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 5,659,178	\$ -	\$ 5,659,178
2014	5,815,264	-	5,815,264
2015	5,973,464	-	5,973,464
2016	6,134,748	-	6,134,748
2017	6,335,656	-	6,335,656
2018-2020	<u>15,508,941</u>	<u>-</u>	<u>15,508,941</u>
	<u>\$ 45,427,251</u>	<u>\$ -</u>	<u>\$ 45,427,251</u>

The safety of dams contract obligation to the Bureau of Reclamation represents the District's share of the agricultural portion of repair costs incurred for the dam. The obligation is due in annual installments of \$60,000 through 2023 with a final payment of \$10,820 due in 2024. There is no provision for interest on this contract.

NOTE 6 – NET POSITION

Restricted net position represents the District's net position whose uses are subject to constraints that are either (1) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net position for governmental activities is as follows:

Tabor	<u>\$ 150,000</u>
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Restricted for tabor – This represents an amount that exceeds the 3% minimum requirement as outlined in the Colorado constitution. Under provisions of the Colorado constitution, a portion of the District's net position can be used for declared emergencies only and the District must maintain 3% or more of its fiscal year spending in this restricted account.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 – FUND BALANCES

As of December 31, 2012, fund balances are composed of the following:

	<u>General Fund</u>
Nonspendable –	
Prepaid items	\$ 19,178
Restricted –	
Tabor	150,000
Committed –	
Repayment obligation	5,000,000
Development of enlargement space	2,000,000
Assigned –	
Subsequent year’s budget	1,950,488
Unassigned	<u>700,466</u>
Total fund balances	<u>\$ 9,820,132</u>

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, property and casualty, errors and omissions, injuries to employees and health claims. Risks of loss from property and liability coverage are covered by the District’s participation in the Colorado Special District’s property and liability pool which is a separate and independent governmental public entity risk pool formed through intergovernmental agreement by member special districts to provide defined liability and property coverage. The aggregate limit of losses paid by the pool for property claims is limited to \$1,000,000 with commercial company reinsurance covering any losses in excess of that amount up to \$3,000,000. All other risks of loss are handled by the purchase of commercial insurance. Settled claims from the liability pool and commercial policy have not exceeded the insurance coverage in any of the past three years.

NOTE 9 - EMPLOYEE BENEFITS

The District maintains a qualified defined contribution plan covering all its existing employees. The plan was formed under Section 401(a) of the Internal Revenue Code. The District is the plan administrator but has designated administration of the plan to Equitable Life Assurance. The plan provides for employer contributions of up to 16% of compensation and the District contributed \$103,677 to the plan during 2012. The plan is administered under the terms outlined in the plan document and may be modified or amended as outlined by the plan document.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 9 - EMPLOYEE BENEFITS (Cont'd.)

In conjunction with the above described plan, the District also maintains an Internal Revenue Code Section 457 plan which provides for employee contributions and a District match of up to 5% of employee's base pay. During the year ended December 31, 2012, employees contributed \$68,524 to the plan and the District contributed \$40,214.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Colorado voters passed an amendment to the state constitution which contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment, commonly known as the Tabor amendment, is complex and subject to judicial interpretation; however, the District believes it is in compliance with the requirements of the amendment. The District has made certain interpretations of the amendment's language in order to determine its compliance.

The District has contracted with the U.S. government to repay approximately \$63 million of costs incurred by the U.S. government in the construction of the Fountain Valley conduit which is operated by the Fountain Valley Authority (the Authority). A related contract with the Authority provides that the Authority will pay an annual conveyance service charge to the District in an amount equal to the payment due the U.S. government. Terms of the contract provide that the District is not responsible for repayment in the event of default by the Authority. The 2012 charge and related revenue totals \$5,353,598. The present value of the future minimum lease payments at December 31, 2012 is \$50,314,449.

In December 2011, the Bureau of Reclamation (BOR) issued a preliminary permit to a partnership consisting of the District, Colorado Springs Utilities (CSU), and the Board of Water Works of Pueblo (PBWW) to plan and study the possibility of hydropower generation at Pueblo Dam River Outlet. The preliminary permit issued by BOR is good for two years from December 2011.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 6,724,667	\$ 6,724,667	\$ 6,687,420	\$ (37,247)
Collection fees	(110,000)	(110,000)	(112,005)	(2,005)
Specific ownership taxes	555,000	555,000	620,235	65,235
Winter water storage	128,800	128,800	118,038	(10,762)
Charges for services	1,120,220	1,120,220	923,029	(197,191)
Intergovernmental	61,650	61,650	25,010	(36,640)
Fountain Valley Authority contract revenue	5,352,760	5,352,760	5,353,598	838
Interest revenue	153,400	153,400	113,684	(39,716)
Other	7,700	7,700	13,044	5,344
TOTAL REVENUES	<u>13,994,197</u>	<u>13,994,197</u>	<u>13,742,053</u>	<u>(252,144)</u>
EXPENDITURES				
Current -				
Outside services	450,492	450,492	341,500	108,992
Personnel	1,275,471	1,275,471	1,169,240	106,231
Travel and related expenditures	77,233	77,233	47,701	29,532
Office and administrative	241,784	241,784	177,925	63,859
Legislative and water education	31,650	31,650	35,000	(3,350)
Winter water storage	128,800	128,800	118,038	10,762
Fountain Valley Authority contract payments	5,352,760	5,352,760	5,353,598	(838)
Contingency and other	100,000	100,000	-	100,000
Capital outlay	900,000	900,000	24,970	875,030
Debt service	6,365,577	6,365,577	6,324,104	41,473
TOTAL EXPENDITURES	<u>14,923,767</u>	<u>14,923,767</u>	<u>13,592,076</u>	<u>1,331,691</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(929,570)</u>	<u>(929,570)</u>	<u>149,977</u>	<u>1,079,547</u>

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
 BUDGETARY COMPARISON SCHEDULE (Cont'd.)
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budget	Final Budget
			Basis	Favorable (Unfavorable)
FUND BALANCE, January 1	929,570	929,570	9,711,705	8,782,135
FUND BALANCE, December 31	\$ -	\$ -	9,861,682	\$ 9,861,682
ADJUSTMENT FROM BUDGETARY BASIS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Unrealized losses on investment securities			(41,550)	
FUND BALANCE, generally accepted accounting principles			\$ 9,820,132	

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE BUDGETARY BASIS OF ACCOUNTING
TO GAAP BASIS OF ACCOUNTING
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012**

BUDGETARY BASIS

Explanation of differences between budgetary revenues and
GAAP revenues

REVENUES

Actual amounts (budgetary basis) of revenues from budgetary comparison schedule	\$ 13,742,053
Differences - budget to GAAP - Unrealized loss on investment securities	(41,550)
Classification of collection fees	<u>112,005</u>

GAAP BASIS REVENUE **\$ 13,812,508**

EXPENDITURES

Actual amounts (budgetary basis) of expenditures from budgetary comparison schedule	\$ 13,592,076
Differences - budget to GAAP - Classification of collection fees	<u>112,005</u>

GAAP BASIS EXPENDITURES **\$ 13,704,081**

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011**

BUDGETARY INFORMATION

Southeastern Colorado Water Conservancy District (the District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

On or before October 15, the executive director and the finance manager submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments. The District adopts budgets for all funds. The general fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

ADDITIONAL INFORMATION

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
WATER ACTIVITY ENTERPRISE FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2012**

	<u>Final Budget</u>	<u>Actual (Non-GAAP Basis)</u>	Variance With Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 1,502,981	\$ 1,021,555	(481,426)
Intergovernmental	383,862	237,263	(146,599)
Revenue collected on behalf of others	135,000	160,000	25,000
Interest	126,597	91,439	(35,158)
TOTAL REVENUES	<u>2,148,440</u>	<u>1,510,257</u>	<u>(638,183)</u>
EXPENDITURES			
Current -			
Outside services	688,099	524,996	163,103
Office and administrative expenses	1,122,121	872,626	249,495
Travel and related expenses	18,246	4,532	13,714
Legislative and water education	259,933	225,773	34,160
Capital outlay	200,000	56,295	143,705
Debt service	60,000	60,000	-
TOTAL EXPENDITURES	<u>2,348,399</u>	<u>1,744,222</u>	<u>604,177</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (199,959)</u>	<u>\$ (233,965)</u>	<u>\$ (34,006)</u>
GAAP ADJUSTMENTS			
Deposits		56,295	
Principal payment on contract obligation		60,000	
Unrealized loss on investment securities		<u>(17,333)</u>	
CHANGE IN NET POSITION		<u>\$ (135,003)</u>	

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012**

REVENUES

Property taxes -		
Contract mill levy collection	\$ 6,352,130	
Operating tax revenue	247,375	
Abatement and refund of tax collections	92,302	
Prior year tax	(4,387)	
Total property taxes	6,687,420	
Specific ownership taxes	620,235	
Fountain Valley Authority contract revenue	5,353,598	
Winter water storage	118,038	
Charges for services -		
Xeriscape tour and material sales	463	
Enterprise admin. reimbursement	922,566	
Total charges for services	923,029	
Intergovernmental -		
Grant revenue state/local	25,010	
Total intergovernmental	25,010	
Investment revenue -		
Interest income	12,385	
Income to fair market adjustment	(41,550)	
Interest on bonds	101,299	
Total investment revenue	72,134	
Other -		
RRA fee	2,858	
Miscellaneous revenue	10,186	
Total other	13,044	
TOTAL REVENUES	\$ 13,812,508	

EXPENDITURES

Outside services -		
Annual audit	\$ 11,231	
Legal representation	300,000	
Water policy management consultants	28,614	
Engineering	193	
Other	1,462	
Total outside services	341,500	

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES (Cont'd.)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

EXPENDITURES (Cont'd.)

Personnel expenditures -

Staff payroll	\$	810,297
Incentive/performance capacity		20,139
Directors' payroll		36,000
Payroll taxes		58,872
HSA contributions		21,000
401 retirement contribution		103,677
457 retirement contribution		40,214
Health insurance		44,857
Reimburse health insurance		5,067
Life insurance - staff and directors		6,780
Medical reimbursement		3,226
LT disability insurance		4,112
Employee assistance program		584
Dental insurance		5,603
Vision insurance		1,183
Worker's compensation insurance		3,435
Admin fees for human resources		4,194
Total personnel expenditures		1,169,240

Travel and related expenditures -

Directors - other travel (tip, fax, parking, tel, etc.)		300
Directors - other transportation (taxi, shuttle, rental)		383
Directors airfare		2,416
Directors hotels		5,589
Directors meals		1,490
Directors mileage reimbursement		9,203
Executive - airfare		791
Executive - district vehicle gas		1,413
Executive - hotels		4,637
Executive - meals		912
Executive - meeting registrations		213
Staff business - airfare		1,273
Staff business - district vehicle gas		6,086
Staff business - hotels		3,615
Staff business - meals		847
Staff business - other travel		1,392

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES (Cont'd.)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

EXPENDITURES (Cont'd.)

Personnel expenditures (cont'd.) -

Staff certification - airfare	188
Staff certification - hotels	875
Staff certification - meals	140
Staff certification - other	389
Vehicle repair and maintenance - Envoy	1,846
Vehicle repair and maintenance - LeSabre	264
Vehicle repair and maintenance - 2005 Prius	2,112
Vehicle repair and maintenance - 2010 Prius	1,327
Total travel and related expenditures	47,701

Office and administrative expenditures -

Bank fees	727
Board awards/gifts	924
Board coffee snacks	417
Board memberships/subscriptions	7,047
Board printing	363
Board room accessories	346
Board/committee meals	2,661
Building other/misc. maintenance	434
Building plumbing & electrical	857
Building heating/cooling	1,524
Capital outlay - information system	9,774
Computer - hardware	1,797
Computer - general computer	13,560
Computer - supplies	257
Computer - software and licenses	5,687
Conservation	2,679
Directors meeting registrations	4,829
District special events	13,902
Executive meeting registrations	2,669
Landscape maintenance - garden tools	140
Landscape - mower maintenance & fuel	308
Insurance - automobile	3,401
Insurance - excess liability	2,010
Insurance - general liability	9,426
Insurance - property & liability	3,557
Insurance - public official liability	1,272
Legal notices	580

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES (Cont'd.)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012**

EXPENDITURES (Cont'd.)

Maintenance - backflow testing	\$ 110
Maintenance - fire extinguisher	135
Maintenance - janitorial services	3,180
Maintenance - pest control	537
Maintenance - waste disposal	1,208
Maintenance - security	538
Maintenance - snow removal	299
Maintenance - window cleaning	680
Meeting expenditures and meals	1,101
Office - coffee/snacks	118
Office - copy machine contract (B&W)	1,069
Office - copy machine color	3,369
Office - general/staff memberships	4,608
Awards & gifts - other	328
Office - printing	5,192
Office - publications & subscriptions	459
Phone - cell	4,218
Phone - land	8,710
Postage & shipping	3,130
Reclamation reform act audit	2,881
Staff awards and gifts	103
Staff business - meeting registrations	3,136
Staff certification - registrations	3,227
Staff education - registrations	6,428
Supplies - janitorial	378
Supplies - office	3,296
Supplies - paper	583
Supplies - toner	1,481
Utilities	17,248
Utilities - airport fee	900
Water festival	1,218
Web contracts	365
Landscape - aeration & weed control	602
Landscape - fertilizer & chemicals	1,343
Landscape maintenance contracts	3,764
Landscape - mulch, soil amendments	393
Xeriscape - plants and other	292
Landscape - sprinkler system repair & maintenance	150
Total office and administrative expenditures	177,925

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
 SCHEDULE OF REVENUES AND EXPENDITURES (Cont'd.)
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2012**

EXPENDITURES (Cont'd.)

Collection fees	<u>\$ 112,005</u>
Legislative and water education -	
AVC matching contribution	20,000
Project expenditures	<u>15,000</u>
Total legislative and water education	<u>35,000</u>
Winter water storage	118,038
Fountain Valley Authority contract payments	5,353,598
Bureau operations, maintenance & repairs	2,068,134
Capital outlay - acquisition of capital assets	24,970
Debt service principal	<u>4,255,970</u>
TOTAL EXPENDITURES	<u><u>\$ 13,704,081</u></u>