

**REPUBLICAN RIVER
WATER CONSERVATION DISTRICT**

Financial Statements

For the Year Ended December 31, 2009

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REPUBLICAN RIVER WATER CONSERVATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Republican River Water Conservation District
Wray, CO 80758

We have audited the accompanying statement of net assets of the Republican River Water Conservation District as of December 31, 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. 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. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Republican River Water Conservation District as of December 31, 2009, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. For the management discussion and analysis, we have applied certain limited procedures, consisting primarily of inquiries of management regarding methods of measurement and presentation of the required information. However, we did not audit that supplemental information, and express no opinion on it. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

WINFREY & COUNTY, PC
Certified Public Accountants



by: Gerald County, CPA

June 22, 2010

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009**

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year ending December 31, 2009. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$5,509,945 due to increased fee assessments received and a reduction in acres placed into retirement program contracts. The purpose of the contracts is to lease and retire water rights. Future fee assessment revenue will be used to pay the long-term liability contracts over the next 20 years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts;

Management's Discussion and Analysis

Financial Statements

Supplementary Information

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Activities report information about the District's activities in a way that can help answer that question. These two statements report the net assets of the District and the related changes in these assets. The District's net assets (the difference between assets and liabilities) is one way to measure financial health or financial position. Over time, increases in the District's net assets are one indicator that the District's financial health is improving. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, or changed governmental legislation.

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009**

NET ASSETS

As part of our analysis, we provide a summary of the District's Balance Sheet below:

Condensed Balance Sheet

	2009	2008	\$ Change
Current Assets	5,810,797	2,116,265	3,694,532
Capital Assets	<u>56,535,461</u>	<u>11,480,263</u>	<u>45,055,198</u>
Total Assets	62,346,258	13,596,528	48,749,730
Current Liabilities	2,177,152	2,486,348	(491,642)
Long-term Liabilities	<u>57,060,859</u>	<u>13,511,878</u>	<u>43,731,427</u>
Total Liabilities	59,238,011	15,998,226	43,239,785
Invested in Capital Assets			
Net of Related Debt	4,574,035	4,622,905	1,524,051
Restricted for TABOR	98,181	98,181	0
Non-restricted	<u>(1,563,969)</u>	<u>(7,122,784)</u>	<u>3,985,894</u>
Total Net Assets	<u>3,108,247</u>	<u>(2,401,698)</u>	<u>5,509,945</u>

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009**

While the Balance Sheet shows the change in financial position of net assets, the Statement of Activities provides answers as to the nature and source of these changes. As can be seen in the following chart, the most noticeable change is the increase in Operating Revenue due to the increased fee assessment.

Condensed Statement of Activities

	<u>2009</u>	<u>2008</u>	<u>\$ Change</u>
Operating Revenue	7,592,127	2,793,420	4,805,129
Non-Operating Revenue	<u>111,256</u>	<u>245,630</u>	<u>(133,996)</u>
 Total Revenues	 7,703,383	 3,039,050	 4,671,133
 Depreciation & Amortization	 258,297	 6,272	 2,025
Other Operating Expenses	761,870	4,829,653	(3,810,983)
G & A Expenses	553,887	504,887	49,000
Non-Operating Expenses	<u>619,384</u>	<u>186,170</u>	<u>433,214</u>
 Total Expenses	 <u>2,193,438</u>	 <u>5,526,982</u>	 <u>(3,326,744)</u>
 Change in Net Assets	 5,509,945	 (2,487,932)	 7,997,877
 Beginning Net Assets	 <u>(2,401,698)</u>	 <u>86,234</u>	 <u>(2,487,932)</u>
 Ending Net Assets	 <u>3,108,247</u>	 <u>(2,401,698)</u>	 <u>5,509,945</u>

BUDGETARY HIGHLIGHTS

Budget to actual comparative statements are included as Supplemental Information in the audited financial statements.

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the District had invested \$56,535,461 in capital assets.

	<u>12/31/09</u>	<u>12/31/08</u>
Pipeline	1,671,313	1,477,857
Equipment	6,489	6,489
Vehicles	25,600	25,600
Long Term Lease	5,000,000	5,000,000
Water Rights	50,050,235	4,929,196
Farm Credit Stock	0	1,000
Loan Origination Fees	45,000.00	45,000.00
Total	56,798,636	11,485,142
Less accumulated depreciation	(263,175)	(4,878)
Total	<u>56,535,461</u>	<u>11,480,263</u>

Long-Term Debt

In 2009, additional EQIP, AWEP & CREP contracts were issued. Additional long-term loans were issued for pipeline construction and purchase of water rights. See note 5 to the financial statements for further information.

	<u>12/31/09</u>	<u>12/31/08</u>
CREP & EQIP Contracts	8,036,525	8,991,620
Long Term Lease Loan	4,545,000	4,545,000
Pipeline Loan	45,843,505	1,258,367
Leases Payable	208,749	0
Water Rights Loan	0	1,053,990
Total	58,633,780	15,848,978

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2009**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The District's Board of Directors and management consider many factors when setting the 2010 budget, including user fees and charges. The following table presents the changes in the District's budget from 2009 to 2010.

	<u>2010</u>	<u>2009</u>	<u>\$ Change</u>
Operating Revenue	7,271,125	7,223,600	47,525
Non-Operating Revenue	155,000	173,500	(18,500)
Loans	14,221,429	59,045,000	(44,823,571)
Beginning Balance	<u>4,166,194</u>	<u>1,023,310</u>	<u>3,142,884</u>
Total Revenue	25,813,748	67,465,410	(41,651,662)
Other Operating Expense	2,131,426	2,750,414	(618,988)
G & A Expense	674,112	518,975	155,137
Capital Outlay	22,031,578	63,900,057	(41,868,479)
Non-Operating Expense	<u>102,263</u>	<u>220,619</u>	<u>(118,356)</u>
Total Expense	<u>24,939,379</u>	<u>67,390,065</u>	<u>(42,450,686)</u>
Ending Net Assets	<u>874,369</u>	<u>75,345</u>	<u>799,024</u>

Requests for Information

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about the report or need additional information, contact the office at 410 Main Street, Suite 8, Wray, CO, 80758, or call 970-332-3552.

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REPUBLICAN RIVER WATER CONSERVATION DISTRICT

Statement of Net Assets

December 31, 2009

ASSETS	
Current Assets	
Cash and cash equivalents	3,637,572
Certificates of deposit	2,007,351
Accounts receivable	164,573
Inventory	<u>1,301</u>
Total Current Assets	5,810,797
Capital Assets	
Water Rights	50,050,235
Prepaid Long Term Leases	5,000,000
Loan Origination Fees	45,000
Pipeline	1,671,313
Equipment	6,489
Vehicle	25,600
Less: Accumulated depreciation	<u>(263,175)</u>
Net Capital Assets	<u>56,535,461</u>
TOTAL ASSETS	62,346,258
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	26,616
Accrued interest	577,265
Payroll liabilities	350
Current portion of long-term	<u>1,572,920</u>
Total Current Liabilities	2,177,151
Long-Term Liabilities	
CREP contracts	4,751,378
EQIP contracts - well retirement	1,937,641
Leases payable	165,780
Loans payable	<u>50,206,060</u>
Total Long-Term Liabilities	<u>57,060,859</u>
TOTAL LIABILITIES	59,238,011
Net Assets	
Investment in capital assets, net of related debt	4,574,035
Restricted for TABOR	98,181
Unrestricted	<u>(1,563,969)</u>
TOTAL NET ASSETS	<u>3,108,247</u>

See auditor's report and notes to the financial statements.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenue, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2009

OPERATING REVENUES		
Irrigation assessment fees	7,115,567	
Commercial & Municipal well assessment	113,949	
Surface evaporative water loss	26,793	
Water lease	<u>335,819</u>	
Total Operating Revenues	7,592,127	
OPERATING EXPENSES		
County Treasurer fees	213,649	
EQUIP & CREP contracts	510,707	
Telephone	3,519	
Travel expenses	19,502	
Vehicle expenses	(506)	
Depreciation	258,297	
CIG grants	<u>15,000</u>	
Total Operating Expenses		1,020,168
GENERAL & ADMINISTRATIVE EXPENSES		
Salaries & wages	101,500	
Employee benefits	30,904	
Office expenses	19,509	
Accounting & audit fees	39,601	
Consulting	25,117	
Engineering fees	39,765	
Legal fees	165,949	
Lobbyist fees	49,749	
Other professional fees	3,424	
Insurance	7,120	
Directors expenses	<u>71,249</u>	
Total General & Administrative Expenses		<u>553,887</u>
TOTAL EXPENSES		<u>1,574,054</u>
OPERATING INCOME		6,018,073
OTHER INCOME (EXPENSE)		
Interest income	79,150	
Interest expense	(619,384)	
Interest on fees	<u>32,107</u>	
Total Other Income		<u>(508,128)</u>
CHANGE IN NET ASSETS		5,509,945
NET ASSETS - Beginning		<u>(2,401,698)</u>
NET ASSETS - Ending		<u>3,108,247</u>

See auditor's report and notes to the financial statements.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT

Statement of Cash Flows

For the Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from fees	7,351,847
Paid for salaries & benefits	(162,210)
Paid for Board compensation	(28,100)
Paid to well owners	(509,721)
Paid to suppliers	(520,796)
Net Cash Provided by Operating Activities	<u>6,131,021</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of fixed assets	(193,456)
Acquisition of water rights	(45,121,039)
Interest Expense	(44,696)
Debt proceeds	45,121,916
Debt payments	(2,337,100)
Net Cash Provided by Capital Financing Activities	<u>(2,574,376)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interest income	111,256
CASH FLOWS FROM INVESTING ACTIVITIES	
Certificates of deposit and savings account	<u>(1,487,884)</u>
NET INCREASE (DECREASE) IN CASH	2,180,017
CASH - Beginning of year	<u>1,457,555</u>
CASH - End of year	<u>3,637,572</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	6,018,073
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	258,297
Changes in Assets & Liabilities	
Accounts receivable	(26,631)
Certificates of deposit	(1,487,884)
Accounts payable	455,990
Accrued interest	574,687
Payroll liabilities	(1,006)
Contracts payable	339,495
Total Adjustments	<u>112,948</u>
Net Cash Provided by Operating Activities	<u>6,131,021</u>

See auditor's report and notes to the financial statements.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - the District is a governmental unit operating with a sole enterprise fund while in accordance with Colorado Statute. The District was established to provide compliance with the Republican River Compact on behalf of the State of Colorado. In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Government Accounting Standards Board Codification. These criteria state that the financial reporting entity consist of (a) the primary government, (b) other organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but 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. Based upon these criteria, there are no additional agencies or entities which should be included in the financial statements of the District.

The District is considered to be a primary government because it has a separate governing body, it is legally separate, and it is fiscally independent of other state and local governments. It has no component units. Neither is it a component unit of any other entity.

Basis of Accounting - enterprise fund accounting is utilized in accordance with generally accepted accounting principles. Enterprise funds recognize revenues and expenses on the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when incurred.

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 are special assessment fees charged to landowners for their water usage. Operating expenses for the fund include 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.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on accounting procedures issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Capital Assets - the District capitalizes assets valued over \$5,000. Assets are stated at cost, developer's cost, or estimated fair market value at the time of donation. Depreciation is recognized using the straight-line method over the assets estimated useful lives of one to forty years. Depreciation begins in the year following completion for assets under construction. Water rights, and the costs to obtain those rights, are capitalized but not depreciated.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT

Notes to the Financial Statements
For the Year Ended December 31, 2009
(continued)

Irrigation Assessment Fees - the District's primary means of revenue. These fees are paid by the property owner, along with property taxes, to the County Treasurer. They are payable in full on April 30 or in two installments on February 28 and June 15. The Counties of which the District is comprised collect the taxes and fees and remits them by the 10th of the month following the month of collection.

Budgets - each fall the Board of Directors adopt a budget and appropriates funds for the following calendar year. Unused appropriations lapse at year end.

All budget hearings are open to the public. An amendment of the budget through supplemental appropriation is subject to approval of the Board of Directors at a public hearing and the filing of the approved supplemental appropriation with the State of Colorado.

The basis of these budgets is Non-GAAP, in that revenues and expenditures are budgeted on the modified accrual basis of accounting. This basis of accounting records transactions based upon the "flow of funds". Revenues are recognized when funds are available and measurable, and expenditures are recognized when incurred.

Cash Flows - for purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and demand, money market and savings accounts at financial institutions. Repurchase agreements, certificates of deposit, and U.S. Treasury Notes, including those with maturities of three months or less, are classified as investments and are not reflected as cash in the statement of cash flows.

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 borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets are reported as restricted when there limitations imposed on their use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Use of Estimates - the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the period. Actual results could differ from those estimates.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2009
(continued)

(2) CASH DEPOSITS AND CASH EQUIVALENTS

Cash Deposits - for purpose of these financial statements, cash and cash equivalents consists of cash on hand and demand, money market and savings accounts at financial institutions.

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. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. 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.

Custodial Credit Risk - Deposits -- Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

Deposits are in 5 financial institutions and listed by appropriate risk category as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
On hand		11
Insured (FDIC)	1,121,117	1,121,117
Uninsured: Collateral held by District's agent in agent's name	<u>4,524,280</u>	<u>4,523,795</u>
Total Cash	<u>5,645,397</u>	<u>5,644,923</u>
Shown as certificates of deposit		<u>(2,007,351)</u>
Shown as cash & cash equivalents		<u>3,637,572</u>

(3) ACCOUNTS RECEIVABLE

The accounts receivable balance includes amounts due from District customers. The District uses the allowance method to recognize bad debts. No allowance for bad debts was deemed necessary at December 31, 2009.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2009
(continued)

(4) CAPITAL ASSETS

A summary of changes to capital assets for 2008 follows:

	Balance <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31</u>
Pipeline	1,477,857	193,456	-0-	1,671,313
Long Term Lease	5,000,000	-0-	-0-	5,000,000
Water Rights	4,929,196	45,121,039	-0-	50,050,235
Loan Origination Fees	45,000	-0-	-0-	45,000
Farm Credit Stock	1,000	-0-	1,000	-0-
Equipment	6,489	-0-	-0-	6,489
Automobile	25,600	-0-	-0-	25,600
Total	<u>11,485,142</u>	<u>45,314,495</u>	<u>1,000</u>	<u>56,798,637</u>
Accumulated Depreciation	<u>4,878</u>	<u>258,297</u>	<u>-0-</u>	<u>263,175</u>
Net Capital Assets	<u>11,480,264</u>	<u>45,056,198</u>	<u>(1,000)</u>	<u>56,535,462</u>

(5) LONG-TERM DEBT

Changes in Long-Term Debt

	Balance <u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31</u>
EQIP contracts	3,882,787	461,477	1,222,119	3,122,145
CREP contracts	5,079,421	-0-	194,454	4,884,967
Leases payable	29,413	238,162	29,413	238,162
Long Term Lease	1,053,990	-0-	1,053,990	-0-
Water Rights	4,545,000	-0-	-0-	4,545,000
Pipeline Loan	<u>1,258,367</u>	<u>44,585,138</u>	<u>-0-</u>	<u>45,843,505</u>
Total	<u>15,848,978</u>	<u>45,284,777</u>	<u>2,499,976</u>	<u>58,633,779</u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2009
(continued)

Beginning in 2005, the District began entering into Environmental Quality Incentive Program (EQIP) contracts with landowners. Payments for these contracts are disbursed over three to five years. The following information summarizes the annual payments due on the outstanding EQIP contract obligations:

Due in	
<u>Year</u>	<u>Amount</u>
2010	1,184,504
2011	889,487
2012	848,788
2013	189,226
2014	<u>10,140</u>
Total	3,882,787

Beginning in 2006, the District began entering into Conservation Reserve Enhancement Program (CREP) contracts with landowners. Payments for these contracts are disbursed over 15 years. The following information summarizes the annual payments due on the outstanding CREP contract obligations:

Due in	
<u>Year</u>	<u>Amount</u>
2010	133,588
2011	1,128,893
2012	219,843
2013	133,199
2014	139,422
2015-2019	1,752,426
2020-2024	<u>1,377,596</u>
Total	4,884,967

REPUBLICAN RIVER WATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2009

(continued)

During 2009, the District entered into leases with the landowners. These leases are from 4 to 5 years. The following information summarizes the annual amounts due for the leases.

<u>Due in</u>	
<u>Year</u>	<u>Amount</u>
2010	72,382
2011	72,382
2012	72,381
2013	21,017
Total	238,162

During 2008, the District entered into a loan agreement with Farm Credit to finance the purchase water rights in the amount of \$5,000,000 at 6.14% with a due date of 1/1/2011. Collateral for the loan was certificates of deposit of the District. The remaining balance of \$1,053,990 was paid in 2009.

During 2008, the District entered into a loan agreement with Colorado Water Conservation Board to purchase water rights. The original loan amount was \$4,545,000 with interest at 2.25%. The first payment due May 1, 2010 and continue through May 1, 2029 in the amount of \$284,708. Following is a schedule of payments;

<u>Due in</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	182,446	102,262	284,708
2011	186,551	98,157	284,708
2012	190,748	93,960	284,708
2013	195,040	89,668	284,708
2014	199,428	85,280	284,708
2015-2019	1,066,502	357,039	1,423,541
2020-2024	1,192,006	231,535	1,423,541
2025-2029	1,332,279	91,263	1,423,542
Total;	4,545,000	1,149,164	5,694,164

In 2008, the District entered into a loan agreement with Colorado Water Conservation Board for the construction of the Republican River Compact Compliance Pipeline Project which includes the purchase of water rights, with a total possible loan amount of \$60,600,000 which includes a 1% loan service fee, with interest at 2.00% for 20 years. The loan payments are \$3,706,097 per year and will initiate when CWCB determines the project is substantially complete and annually thereafter. As funds are disbursed by CWCB, interest will accrue at the rate set for the loan. The District is required to establish and maintain a debt service reserve account by depositing 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.

At December 31, 2009, the District had drawn \$45,843,505 on this loan.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2009
(continued)

Total long-term commitments

Due in <u>Year</u>	Principal <u>Amount</u>	Interest <u>Amount</u>	<u>Total</u>
2010	1,572,920	102,263	1,675,183
2011	2,277,312	98,158	2,375,470
2012	4,361,762	93,960	4,455,722
2013	3,378,990	89,668	3,658,148
2014	3,378,990	85,280	3,464,270
2015-2019	17,968,928	357,039	18,325,997
2020-2024	17,719,602	231,535	17,951,137
2025-2029	<u>7,785,784</u>	<u>91,262</u>	<u>7,877,046</u>
Total	58,633,779	1,149,164	59,782,943

(6) RECONCILIATION OF PROPRIETARY (GAAP) REVENUES AND EXPENSES TO BUDGETARY REVENUES AND EXPENDITURES

The District prepares its budget annually. The budget comparison in this report is presented on a Non-GAAP budgetary basis. The following reconciliation is presented to reconcile to the GAAP basis financial statements.

Operating Revenues - GAAP basis	7,592,127
Non-Operating Revenues (Expenses) - GAAP basis	<u>111,256</u>
Total Revenues - GAAP basis	7,703,383
Total - GAAP basis	1,574,054
Interest Expense	619,384
Difference in EQIP/CREP contracts	(45,015)
Capital Outlay	45,314,495
Less Depreciation	<u>(258,297)</u>
Total Expenses - Budgetary Basis	47,204,621

(7) RISK MANAGEMENT

The District is exposed to various risks of loss to related torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees; and natural disasters. In order to manage these risks, the District has purchased commercial insurance with various deductibles.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2009
(continued)

(8) TABOR REQUIREMENTS

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to State of Colorado and all local governments.

Enterprise, defined as government owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenues in grants from all state and local governments combined, are excluded from the provision of TABOR.

TABOR establishes 1992 as the initial base for spending and revenue limits. Future spending and revenue limits can be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service). Excess funds within the spending and revenue limits can be reserved for general use and, when spent in subsequent years, are not subject to the spending limits mentioned above.

The total amount of restricted net assets for emergency reserves at December 31, 2009 is \$98,181

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing taxes, or spending above the limits described above, increasing a mill levy, or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple-fiscal year debt requires voter approval except for bond refinancing at lower interest rates or adding employees to existing pension plans.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors and qualifications as an Enterprise, will require judicial interpretation.

(9) BUDGETARY COMPLIANCE

For the year ended December 31, 2009, expenditures did not exceed the budgeted amount.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenues and Expenditures - Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Irrigation Assessment Fees	7,135,000	7,135,000	7,147,673	12,673
Commercial & Municipal Well Assessments	118,600	118,600	113,949	(4,651)
Surface Evaporative Loss Fees	0	0	26,793	26,793
Water Lease	0	0	335,819	335,819
Interest Income	30,000	30,000	79,150	49,150
Total Revenues	<u>7,283,600</u>	<u>7,283,600</u>	<u>7,703,383</u>	<u>419,783</u>
EXPENDITURES				
Salaries & Wages	104,286	104,286	101,500	2,786
Employee Benefits	39,733	39,733	30,904	8,830
Board and Director Expenses	73,800	73,800	56,900	16,900
Office	19,156	19,156	17,644	1,512
Engineering Fees	25,000	25,000	39,765	(14,765)
Legal Fees	100,000	100,000	165,949	(65,949)
Accounting & Auditing	48,000	48,000	39,601	8,399
Lobbyist Fees	53,000	53,000	49,749	3,251
Other Professional Fees	31,600	31,600	28,541	3,059
EQIP Contracts	1,477,165	1,477,165	243,373	1,233,792
CREP Contracts	978,686	978,686	192,906	785,780
Leases	300,000	300,000	29,413	270,588
Interest	220,619	220,619	619,384	(398,765)
Operating Expenses	76,400	76,400	60,849	15,551
County Treasurer's Fees	213,150	213,150	213,649	(499)
Capital Outlay	63,629,470	63,629,470	45,314,495	18,314,975
Total Expenditures	<u>67,390,065</u>	<u>67,390,065</u>	<u>47,204,621</u>	<u>20,185,444</u>
Excess of Revenues over (under) Expenditures	(60,106,465)	(60,106,465)	(39,501,238)	20,605,227
Other Financing Sources				
Loan Proceeds	<u>59,158,500</u>	<u>59,158,500</u>	45,121,916	(14,036,585)
Excess of Revenues and Other Sources over (under) Expenditures	(947,965)	(947,965)	5,620,678	6,568,643
Beginning Fund Balance	<u>1,023,310</u>	<u>1,023,310</u>	(2,401,698)	(3,425,008)
Ending Fund Balance	<u>75,345</u>	<u>75,345</u>	<u>3,218,979</u>	<u>3,143,634</u>