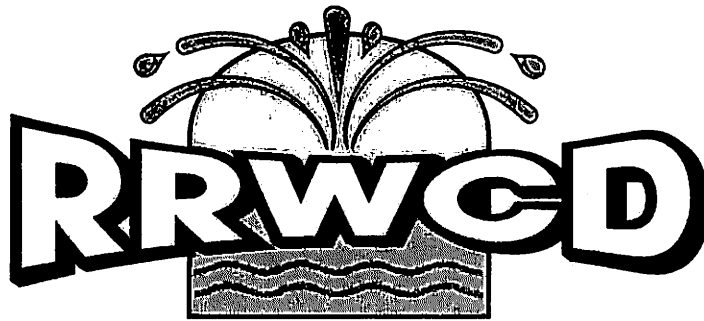


**REPUBLICAN RIVER
WATER CONSERVATION DISTRICT**

Financial Statements

For the Year Ended December 31, 2011



REPUBLICAN RIVER WATER CONSERVATION DISTRICT
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December 31, 2011

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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, 2011, 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, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages a through e and 13 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. For the management discussions and analysis, we have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule for the General Fund 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 & HAYS, PC
Certified Public Accountants



by: Gerald County, CPA

June 27, 2012

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011**

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, 2011. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$5,782,860 due to delayed pipeline construction. However, the pipeline construction started in the last quarter of 2011. The pipeline construction estimated completion date is third quarter 2012. Minimal acres were added to retirement program contracts due to strong commodity prices which influenced farmers to keep more land in production.

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, 2011**

NET ASSETS

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

Condensed Balance Sheet

	<u>2011</u>	<u>2010</u>	<u>\$ Change</u>
Current Assets	11,188,967	7,008,991	4,179,976
Capital Assets	<u>67,102,648</u>	<u>60,356,465</u>	<u>6,746,183</u>
 Total Assets	 78,291,615	 67,365,456	 10,926,159
 Current Liabilities	 9,108,025	 3,868,464	 5,239,561
Long-term Liabilities	<u>54,901,450</u>	<u>54,997,712</u>	<u>(96,262)</u>
 Total Liabilities	 64,009,475	 58,866,176	 5,143,299
 Invested in Capital Assets			
Net of Related Debt	12,758,071	10,150,405	2,607,666
Restricted for TABOR	98,181	98,181	0
Non-restricted	<u>1,425,888</u>	<u>(1,749,306)</u>	<u>3,175,194</u>
 Total Net Assets	 <u>14,282,140</u>	 <u>8,499,280</u>	 <u>5,782,860</u>

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011**

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 that started in 2009.

Condensed Statement of Activities

	<u>2011</u>	<u>2010</u>	<u>\$ Change</u>
Operating Revenue	7,864,095	7,671,860	192,235
Non-Operating Revenue	<u>83,971</u>	<u>104,031</u>	<u>(20,060)</u>
Total Revenues	7,948,066	7,775,891	172,175
Depreciation & Amortization	258,297	258,297	0
Other Operating Expenses	300,494	631,937	(331,443)
G & A Expenses	584,283	477,876	106,407
Non-Operating Expenses	<u>1,022,132</u>	<u>1,016,748</u>	<u>5,384</u>
Total Expenses	<u>2,165,206</u>	<u>2,384,858</u>	<u>(219,652)</u>
Change in Net Assets	5,782,860	5,391,033	391,827
Beginning Net Assets	<u>8,499,280</u>	<u>3,108,247</u>	<u>5,391,033</u>
Ending Net Assets	<u><u>14,282,140</u></u>	<u><u>8,499,280</u></u>	<u><u>5,782,860</u></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, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had invested \$67,882,417 in capital assets.

	<u>12/31/11</u>	<u>12/31/10</u>
Pipeline	8,707,937	1,939,210
Equipment	6,489	6,489
Vehicles	25,600	25,600
Long Term Lease	5,000,000	5,000,000
Water Rights	53,861,857	53,861,638
Easements	235,535	0
Loan Origination Fees	<u>45,000</u>	<u>45,000</u>
Total	<u>67,882,417</u>	<u>60,877,937</u>
Less accumulated depreciation	<u>(779,769)</u>	<u>(521,472)</u>
Total	<u>67,102,648</u>	<u>60,356,465</u>

Long-Term Debt

In 2011, additional long-term loans were issued for pipeline construction. See note 5 to the financial statements for further information.

	<u>12/31/11</u>	<u>12/31/10</u>
CREP & EQIP Contracts	4,892,535	6,970,213
Long Term Lease Loan	4,176,004	4,362,554
Pipeline Loan	50,168,573	45,843,505
Leases Payable	<u>93,669</u>	<u>166,320</u>
Total	59,330,780	57,342,593

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The District's Board of Directors and management consider many factors when setting the 2012 budget, including user fees and charges. The following table presents the changes in the District's budget from 2011 to 2012.

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>
Operating Revenue	7,405,108	7,471,354	(66,246)
Non-Operating Revenue	65,000	105,000	(40,000)
Loans	8,712,227	14,756,495	(6,044,268)
Beginning Balance	<u>10,523,928</u>	<u>6,438,402</u>	<u>4,085,526</u>
Total Revenue	26,706,263	28,771,251	(2,064,988)
Other Operating Expense	2,064,715	2,799,375	(734,660)
G & A Expense	671,495	713,854	(42,359)
Capital Outlay	13,898,400	21,547,128	(7,648,728)
Non-Operating Expense	<u>3,593,960</u>	<u>2,950,000</u>	<u>643,960</u>
Total Expense	<u>20,228,570</u>	<u>28,010,357</u>	<u>(7,781,787)</u>
Ending Net Assets	<u>6,477,693</u>	<u>760,894</u>	<u>5,716,799</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.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT

Statement of Net Assets

December 31, 2011

ASSETS		
Current Assets		
Cash and cash equivalents	8,994,170	
Certificates of deposit	2,084,428	
Accounts receivable	<u>110,369</u>	
Total Current Assets		11,188,967
Capital Assets		
Water Rights	53,861,857	
Easements	235,535	
Prepaid Long Term Leases	5,000,000	
Loan Origination Fees	45,000	
Pipeline	8,707,937	
Equipment	6,489	
Vehicle	25,600	
Less: Accumulated depreciation/amortization	<u>(779,769)</u>	
Net Capital Assets		<u>67,102,648</u>
TOTAL ASSETS		78,291,615
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	2,258,966	
Accrued interest	2,415,724	
Payroll liabilities	4,005	
Current portion of long-term	<u>4,429,330</u>	
Total Current Liabilities		9,108,025
Long-Term Liabilities		
CREP contracts	3,422,642	
EQIP contracts - well retirement	333,963	
Leases payable	21,017	
Loans payable	<u>51,123,829</u>	
Total Long-Term Liabilities		<u>54,901,450</u>
TOTAL LIABILITIES		<u>64,009,475</u>
Net Assets		
Investment in capital assets, net of related debt	12,758,071	
Restricted for TABOR	98,181	
Unrestricted	<u>1,425,888</u>	
TOTAL NET ASSETS		<u>14,282,140</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, 2011

OPERATING REVENUES		
Irrigation assessment fees	7,031,248	
Commercial & Municipal well assessment	117,431	
Surface evaporative water loss	25,837	
Water & property leases	<u>689,578</u>	
Total Operating Revenues	7,864,095	
 OPERATING EXPENSES		
County Treasurer fees	210,947	
EQIP & CREP contracts	52,425	
Telephone	4,267	
Travel expenses	19,123	
Vehicle expenses	3,733	
Depreciation	258,297	
CIG grants	<u>10,000</u>	
Total Operating Expenses		558,791
 GENERAL & ADMINISTRATIVE EXPENSES		
Salaries & wages	96,313	
Employee benefits	43,557	
Office expenses	21,068	
Accounting & audit fees	23,485	
Consulting	13,517	
Engineering fees	100,685	
Legal fees	178,099	
Lobbyist fees	45,053	
Other professional fees	(4,661)	
Insurance	4,751	
Directors expenses	<u>62,415</u>	
Total General & Administrative Expenses		<u>584,283</u>
 TOTAL EXPENSES		 <u>1,143,074</u>
 OPERATING INCOME		 6,721,021
 OTHER INCOME (EXPENSE)		
Interest income	57,778	
Interest expense	(1,022,132)	
Interest on fees	<u>26,194</u>	
Total Other Income		<u>(938,161)</u>
 CHANGE IN NET ASSETS		 5,782,860
 NET ASSETS - Beginning		 <u>8,499,280</u>
 NET ASSETS - Ending		 <u>14,282,140</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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from fees	7,643,245
Paid for salaries & benefits	(165,015)
Paid for Board compensation	(21,079)
Paid to well owners	(8,800)
Paid to suppliers	<u>(408,831)</u>
Net Cash Provided by Operating Activities	7,039,520
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of fixed assets	(4,548,583)
Acquisition of water rights	(218)
Acquisition of easements	(235,535)
Interest Expense	(98,068)
Debt proceeds	4,333,868
Debt payments	<u>(2,345,681)</u>
Net Cash Provided by Capital Financing Activities	(2,894,216)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interest income	83,971
CASH FLOWS FROM INVESTING ACTIVITIES	
Certificates of deposit and savings account	<u>(31,663)</u>
NET INCREASE (DECREASE) IN CASH	4,197,613
CASH - Beginning of year	<u>4,796,558</u>
CASH - End of year	<u>8,994,170</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	6,721,021
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	258,297
Changes in Assets & Liabilities	
Accounts receivable	47,999
Inventory	1,301
Accounts payable	7,248
Payroll liabilities	<u>3,655</u>
Total Adjustments	<u>318,499</u>
Net Cash Provided by Operating Activities	<u>7,039,520</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, 2011

(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, 2011
(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 the 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, 2011
(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		19
Insured (FDIC)	1,136,506	1,136,506
Uninsured: Collateral held by District's agent in agent's name	<u>9,435,966</u>	<u>9,942,073</u>
Total Cash	10,572,472	11,078,598
Shown as certificates of deposit		<u>(2,084,428)</u>
Shown as cash & cash equivalents		<u>8,994,170</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, 2011.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2011
(continued)

(4) CAPITAL ASSETS

A summary of changes to capital assets for 2010 follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Pipeline	1,939,210	6,768,727	-0-	8,707,937
Long Term Lease	5,000,000	-0-	-0-	5,000,000
Water Rights	53,861,639	218	-0-	53,861,857
Easements	-0-	235,535	-0-	235,535
Loan Origination Fees	45,000	-0-	-0-	45,000
Equipment	6,489	-0-	-0-	6,489
Automobile	<u>25,600</u>	<u>-0-</u>	<u>0-</u>	<u>25,600</u>
Total	60,877,938	7,004,480	-0-	67,882,418
Accumulated Depreciation	<u>521,472</u>	<u>258,297</u>	<u>-0-</u>	<u>779,769</u>
Net Capital Assets	<u>60,356,466</u>	<u>6,746,183</u>	<u>-0-</u>	<u>67,102,649</u>

(5) LONG-TERM DEBT

Changes in Long-Term Debt

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31</u>
EQIP contracts	2,206,835	-0-	956,785	1,250,050
CREP contracts	4,763,378	8,000	1,128,893	3,642,485
Leases payable	166,320	-0-	72,652	93,668
Water Rights	4,362,554	-0-	186,551	4,176,003
Pipeline Loan	<u>45,843,505</u>	<u>4,325,068</u>	<u>-0-</u>	<u>50,168,573</u>
Total	57,342,592	4,333,868	2,344,681	59,330,779

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2011
(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>
2012	916,087
2013	256,524
2014	<u>77,438</u>
Total	1,250,049

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>
2012	219,843
2013	133,199
2014	139,422
2015	137,755
2016	1,128,873
2017-2021	1,759,093
2022-2025	<u>124,300</u>
Total	3,642,485

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2011
(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.

Due in	<u>Year</u>	<u>Amount</u>
	2012	72,652
	2013	<u>21,017</u>
	Total	93,669

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;

Due in	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2012	190,748	93,960	284,708
	2013	195,040	89,668	284,708
	2014	199,428	85,280	284,708
	2015	203,915	80,793	284,708
	2016	208,504	76,205	284,709
	2017-2021	1,115,035	308,056	1,423,541
	2022-2026	1,246,250	177,291	1,423,541
	2027-2029	<u>817,083</u>	<u>37,041</u>	<u>854,124</u>
	Total;	4,176,003	948,744	5,124,747

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, 2011, the District had drawn \$50,168,573 on this loan.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2011
(continued)

Total long-term commitments

<u>Due in</u> <u>Year</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u>
2012	4,429,330	93,960	4,523,290
2013	3,635,779	89,668	3,725,447
2014	3,446,288	85,280	3,531,568
2015	3,371,671	80,793	3,452,463
2016	4,367,377	76,205	4,443,582
2017-2021	18,024,128	308,506	18,332,634
2022-2026	16,786,874	195,676	16,982,550
2027-2029	<u>5,269,333</u>	<u>18,657</u>	<u>5,287,990</u>
Total	59,330,780	948,745	60,279,525

(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	7,864,095
Non-Operating Revenues (Expenses) - GAAP basis	<u>83,971</u>
Total Revenues - GAAP basis	7,948,066
Total Expenditures- GAAP basis	1,143,074
Interest Expense	1,022,132
Debt Service	2,345,681
Capital Outlay	6,768,945
Less Depreciation	<u>(258,297)</u>
Total Expenses - Budgetary Basis	11,021,535

(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, 2011
(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, 2011 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, 2011, expenditures did not exceed the budgeted amount.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2011
(continued)

D. Defined Benefit Pension Plan

Plan Description - The District contributes to the Combined State and School Division Trust Fund (CSSDTF), a cost sharing multi-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). CSSDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the CSSDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for CSSDTF. That report may be obtained by writing to PERA, 1300 Logan Street, Denver, CO, 80203, or by calling PERA at 303-832-9550 or 1-800-759-7372.

Funding Policy - Plan members and the District are required to contribute to the CSSDTF at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the District is 12.95%. Also, a portion of the District's contribution (1.10% of covered salary) is allocated for the Health Care Trust Fund (see note E). The District's contributions to CSSDTF for the year ending June 30, 2009, 2010, and 2011 were \$17,714, \$16,662, and \$31,681, respectively, equal to their required contributions for each year.

E. Postemployment Healthcare Benefits

Plan Descriptions - The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for CSSDTF. That report may be obtained by writing to PERA, 1300 Logan Street, Denver, CO, 80203, or by calling PERA at 303-832-9550 or 1-800-759-7372.

Funding Policy - The District is required to contribute at a rate of 1.10% for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's contributions to the HCF for the years ended June 30, 2009, 2010, and 2011 were \$1,117, \$973, and \$1,035 respectively, equal to their required contributions for each year.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenues and Expenditures - Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Irrigation Assessment Fees	6,910,000	6,910,000	7,057,442	147,442
Commercial & Municipal Well Assessments	97,000	97,000	117,431	20,431
Surface Evaporative Loss Fees	0	0	25,837	25,837
Water Lease	549,354	549,354	689,578	140,224
Interest Income	20,000	20,000	57,778	37,778
Loan Proceeds	<u>14,756,495</u>	<u>14,756,495</u>	<u>4,333,868</u>	<u>(10,422,627)</u>
Total Revenues	<u>22,332,849</u>	<u>22,332,849</u>	<u>12,281,934</u>	<u>(10,050,915)</u>
EXPENDITURES				
Salaries & Wages	110,000	110,000	96,313	13,688
Employee Benefits	28,454	28,454	43,557	(15,103)
Board and Director Expenses	53,800	53,800	49,879	3,921
Office	22,600	22,600	18,068	4,532
Engineering Fees	90,000	90,000	100,685	(10,685)
Legal Fees	270,000	270,000	178,099	91,901
Accounting & Auditing	40,000	40,000	23,485	16,515
Lobbyist Fees	44,600	44,600	45,053	(453)
Other Professional Fees	24,400	24,400	8,856	15,544
EQIP Contracts	809,023	809,023	(1,254,443)	2,063,466
CREP/AWEP Contracts	1,712,139	1,712,139	1,277,456	434,683
Leases	959,443	959,443	29,413	930,031
Interest	2,950,000	2,950,000	1,022,132	1,927,868
Operating Expenses	20,502,347	20,502,347	57,410	20,444,937
County Treasurer's Fees	207,000	207,000	210,947	(3,947)
Debt Service	186,551	186,551	2,345,681	(2,159,130)
Capital Outlay	<u>0</u>	<u>0</u>	<u>6,768,945</u>	<u>(6,768,945)</u>
Total Expenditures	<u>28,010,357</u>	<u>28,010,357</u>	<u>11,021,535</u>	<u>16,988,821</u>
Income (Loss) Before Adjustments Below	(5,677,508)	(5,677,508)	1,260,399	6,937,907
Adjustments to Enterprise Basis of Accounting				
Loan Proceeds	0	0	(4,333,868)	(4,333,868)
Debt Service	0	0	2,345,681	2,345,681
Capital Outlay	0	0	6,768,945	6,768,945
Depreciation	<u>0</u>	<u>0</u>	<u>(258,297)</u>	<u>(258,297)</u>
Net Income Proprietary Fund Basis of Accounting	<u>(5,677,508)</u>	<u>(5,677,508)</u>	<u>5,782,860</u>	<u>11,460,368</u>
Beginning Fund Balance	<u>6,438,402</u>	<u>6,438,402</u>	<u>8,499,280</u>	<u>2,060,878</u>
Ending Fund Balance	<u>760,894</u>	<u>760,894</u>	<u>14,282,140</u>	<u>13,521,246</u>