

***Republican River Water
Conservation District***
Wray, Colorado

**Financial Statements
For the Year Ended December 31, 2023**

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Independent Auditors' Report

To the Board of Directors
Republican River Water Conservation District
Wray, Colorado

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of Republican River Water Conservation District (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and historical pension and other post-employment benefit plan information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an

appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
June 18, 2024

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2023

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year ended December 31, 2023. Please read it in conjunction with the financial statements.

Financial Highlights

The District's net position increased by \$7,046,201 due predominately to the annual assessments exceeding the costs of operations (exclusive of capital acquisitions and debt service payments).

Overview of the Financial Statements

This annual report consists of four parts:

- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Other 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 Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and the Statement in Cash Flows report information about the District's activities in a way that can help answer that question. These three statements report the net position of the District and the related changes therein, along with the changes in cash. The District's net position (the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is one way to measure financial health or financial position. Over time, increases in the District's net position 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 changes in governmental legislation.

Net Position

As part of our analysis, we provide a summary of the District's Statement of Net Position below:

Condensed Statement of Net Position

	2023	2022	Change
Current assets	\$ 30,982,871	\$ 18,736,388	\$ 12,246,483
Noncurrent assets	84,386,553	82,226,387	2,160,166
Total assets	115,369,424	100,962,775	14,406,649
Deferred outflows of resources	188,683	43,270	145,413
Total assets and deferred Outflows of resources	\$115,558,107	\$ 101,006,045	\$ 14,552,062
Current liabilities	\$ 10,328,696	\$ 6,471,305	\$ 3,857,391
Long-term liabilities	38,160,217	34,321,713	3,838,504
Total liabilities	48,488,913	40,793,018	7,695,895
Deferred inflows of resources	17,267	207,301	(190,034)
Net position			
Net investment in capital assets	56,570,861	50,382,148	6,188,713
Restricted for debt service	3,800,574	3,769,382	31,192
Restricted for pensions	-	20,107	(20,107)
Unrestricted	6,680,492	5,834,089	846,403
Total net position	67,051,927	60,005,726	7,046,201
Total liabilities, deferred inflows of resources and net position	\$115,558,107	\$ 101,006,045	\$ 14,552,062

While the Statement of Net Position shows the net position, the Statement of Revenues, Expenses and Changes in Fund Net Position provides answers as to the nature and sources of these changes.

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position

	2023	2022	Change
Operating revenue	\$ 15,388,123	\$ 7,599,037	\$ (264,015)
Operating expenses	21,215,210	13,020,104	10,274,607
Operating income (loss)	(5,827,087)	(5,421,067)	(10,538,622)
Nonoperating revenues	13,707,249	7,199,102	6,964,288
Nonoperating expenses	833,961	614,433	(267,213)
Change in net position	7,046,201	1,163,602	(3,307,121)
Net position at beginning of year	60,005,726	58,842,124	4,470,723
Net position at end of year	\$ 67,051,927	\$ 60,005,726	\$ 1,163,602

Budgetary Highlights

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

Significant variances occurred between the final budget and actual numbers as follows:

Contingencies – The District allocated costs for contingencies that were not realized in the current period.

Pipeline operation – The District allocated costs for operations that were not realized in the current period.

Pipeline revegetation – The District allocated costs for revegetation that were not realized in the current period.

Program payments – The District allocated costs for program payments that were not realized in the current period.

Grant revenue – The District budgeted revenues for grant receipts that were not realized in the current period.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2023, the District reported the following components of capital assets:

	2023	2022	Change
Capital assets not being depreciated			
Water rights	\$ 68,596,453	\$ 66,165,674	\$ 2,430,779
Easements	263,114	263,114	-
Total capital assets not being depreciated	68,859,567	66,428,788	2,430,779
Capital assets being depreciated			
Equipment	379,120	65,570	313,550
Vehicles	59,254	39,290	19,964
Pipeline	17,701,881	17,701,881	-
Accumulated depreciation	(3,613,269)	(3,279,249)	(334,020)
Total capital assets being depreciated	14,526,986	14,527,492	(506)
Total capital asset	\$ 83,386,553	\$ 80,956,280	\$ 2,430,273

At December 31, 2023, the District reported the following components of long-term debt:

	2023	2022	Change
Notes from direct borrowings	\$ 26,815,692	\$ 30,574,132	\$ (3,758,440)
Contracts payable	21,063,210	9,785,404	11,277,806
Total long-term debt	\$ 47,878,902	\$ 40,359,536	\$ 7,519,366

Economic Factors and Next Year’s Budget

The District’s Board of Directors and management consider many factors when setting the 2023 budget, including user fees and charges. The following schedule presents the changes in the District’s budget from 2023 to 2024.

	2024	2023	Change
Beginning balances	\$ 17,741,276	\$ 10,128,130	\$ 7,613,146
Revenues			
Operating activities	23,356,605	25,150,704	(1,794,099)
Investing activities	225,000	(51,000)	276,000
Financing activities	-	-	-
Total revenues	23,581,605	25,099,704	(1,518,099)
Expenses			
Operating activities	2,580,223	3,024,734	(444,511)
Programs and purchases	26,787,718	19,184,373	7,603,345
Financing activities	4,271,021	4,323,579	(52,558)
Total expenses	33,638,962	26,532,686	(7,106,276)
<u>Ending balances</u>	<u>\$ 7,683,919</u>	<u>\$ 8,695,148</u>	<u>\$ (1,011,229)</u>

The overall financial position of the District remains strong.

The budget for 2024 represents the effort by the District to assist the State of Colorado to carry out the State’s duty to comply with the limitations imposed upon the State by the Republican River compact and to safeguard for Colorado all waters the State is equitably entitled. The operation of the Compact Compliance Pipeline and purchasing and/or leasing irrigator’s water rights on a voluntary basis to reduce consumptive use from the Republican River Basin are major activities of the District. To assist with compact compliance the District encourages water conservation and projects focused on restoring streamflow.

The Board of Directors did certify, for the 2024 budget year, a special assessment of \$30.00 per irrigated acre either by flood irrigation or by sprinkler irrigation of each large capacity well within the District, \$320.00 per acre-foot of surface water diverted within the District, \$12.05 per acre-foot of water usage for all commercial and municipal wells that pumped over 50 acre-feet of water within the District, \$533.33 per acre-foot reservoir evaporation within the District, as stated in Table 1 Water Use Fee Structure 2023 as presented by Hendrix Wai Engineering, Inc., in Accordance with the Republican River Compact Administration Accounting Procedures and Reporting Requirements.

The District’s 2024 budget contains the following allocations:

County treasurer fees	\$ 452,250
Salaries and board compensation	343,336
Professional services	468,000
Permanent water retirement	5,892,057
ARPA funding	13,183,981
Temporary water retirement	29,413
Loan payments and interest	4,271,020
Pipeline operation and maintenance	600,000
Pipeline revegetation	450,000
Project expenses	209,268
Contingency (water retirement)	7,425,000
<u>Normal operating expenses</u>	<u>314,637</u>
<u>Total budgeted expenses</u>	<u>\$ 26,532,686</u>

Requests for Information

This financial report is designed to provide our citizens, taxpayers, 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, Colorado 80758 or call 970-332-3552.

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Basic Financial Statements

The basic financial statements of the Republican River Water Conservation District include the following:

Financial statements. The financial statements display information about the reporting government as a whole.

Notes to the financial statements. The notes communicate information essential for the fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Net Position
December 31, 2023

Assets	
Current assets	
Cash	\$ 10,529,541
Certificates of deposit	4,936,383
Investments	1,624,637
Receivables	13,595,430
Prepaid items	296,880
	<hr/>
Total current assets	30,982,871
Noncurrent assets	
Long-term prepaid items	1,000,000
Easements	263,114
Water rights	68,596,453
Capital assets, net of depreciation	14,526,986
	<hr/>
Total noncurrent assets	84,386,553
	<hr/>
Total assets	115,369,424
Deferred outflows of resources	
Pension deferrals	185,111
Other post-employment benefit deferrals	3,572
	<hr/>
Total deferred outflows of resources	188,683
	<hr/>
Total assets and deferred outflows of resources	<u>\$ 115,558,107</u>

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

Liabilities	
Current liabilities	
Accounts payable	\$ 109,276
Unearned assessments	15,812
Accrued interest	183,685
Current portion of notes payable	3,778,243
Current portion of contracts payable	6,241,680
	<hr/>
Total current liabilities	10,328,696
Long-term liabilities	
Notes payable	23,037,449
Contracts payable	14,821,530
Net pension liability	282,866
Net other post-employment benefit liability	18,372
	<hr/>
Total long-term liabilities	38,160,217
	<hr/>
Total liabilities	48,488,913
Deferred inflows of resources	
Pension deferrals	4,111
Other post-employment benefit deferrals	13,156
	<hr/>
Total deferred inflows of resources	17,267
Net position	
Net investment in capital assets	56,570,861
Restricted for debt service	3,800,574
Unrestricted	6,680,492
	<hr/>
Total net position	67,051,927
	<hr/>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 115,558,107</u></u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2023

Operating revenues	
Assessments	\$ 15,388,123
Operating expenses	
Channel restoration	1,195
County treasurer fees	452,951
Depreciation and amortization	623,310
Dues, education and training	6,688
Education and outreach	3,501
Fringe benefits	4,292
Insurance and bonding	35,089
Land and water expenses	215
Meetings	15,133
Miscellaneous	4,383
Office	35,430
Payroll	264,183
Pension and OPEB expense	7,953
Pipeline operation	412,435
Professional services	303,671
Program contract expenses	18,980,240
Travel	30,292
Vehicle	4,837
Water lease	29,412
	<u>21,215,210</u>
Total operating expenses	21,215,210
Operating loss	(5,827,087)
Nonoperating revenues (expenses)	
Debt service interest	(537,679)
Donations	5,040
Grant revenue	12,986,792
Gain on disposal of assets	13,500
Grant expenses	(296,282)
Interest on investments	644,895
Investment gain	57,022
	<u>12,873,288</u>
Total nonoperating revenues (expenses)	12,873,288
Change in net position	7,046,201
Net position at beginning of year	<u>60,005,726</u>
Net position at end of year	<u><u>\$ 67,051,927</u></u>

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

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REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash flows from operating activities	
Receipts from assessments	\$ 15,402,044
Payments to suppliers	(1,437,463)
Payments to well owners	(7,702,434)
Payments to employees	(264,183)
	<hr/>
Net cash provided by operating activities	5,997,964
Cash flows from noncapital financing activities	
Donations	5,040
Grant revenues	5,543,739
Grant expenses	(243,732)
	<hr/>
Net cash provided by noncapital financing activities	5,305,047
Cash flows from capital and related financing activities	
Purchase of capital assets	(2,803,583)
Proceeds from the sale of assets	13,500
Principal paid on capital debt	(3,758,440)
Interest paid on capital debt	(565,139)
	<hr/>
Net cash used by capital and related financing activities	(7,113,662)
Cash flows from financing activities	
Earnings on investments	532,477
Purchases of certificates of deposit	(3,250,000)
Redemptions of certificates of deposit	602,898
	<hr/>
Net cash used by financing activities	(2,114,625)
Net change in cash	2,074,724
Cash at beginning of year	<hr/> 8,454,817
Cash at end of year	<hr/> <hr/> \$ 10,529,541

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

Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (5,827,087)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	623,310
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Cash with county treasurer	130,679
Receivables	2,362
Prepaid items	(45,205)
Net pension asset	20,107
Pension and other post-employment deferrals	(335,447)
Accounts payable	(15,377)
Unearned assessments	(118,909)
Contracts payable	11,277,806
Net pension liability	282,866
Net other post-employment benefit liability	2,859
	<hr/>
Net cash provided by operating activities	<u><u>\$ 5,997,964</u></u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Republican River Water Conservation District’s significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The more significant of the District’s accounting policies are described below.

A.1 – Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The reporting entity’s financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Republican River Water Conservation District has examined other entities that could be included as defined in numbers 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Basis of presentation

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets its cash flow needs.

A.3 – Encumbrances

Encumbrance accounting is not used by the District.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

A.4 – Cash and cash equivalents

For the purposes of the statement of cash flows, the District considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

A.5 – Capital assets

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until project completion with interest earned on invested proceeds over the same period. No interest was capitalized during the year.

All reported assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	7-15 years
Vehicles	5 years
Pipeline	50 years

A.6 – Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

A.7 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements. Costs related to the issuance of debt (other than insurance costs) are expensed in the period incurred.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

A.8 – Net position

Net position reports the differences between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are liabilities imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

A.9 – Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the District. These revenues primarily consist of irrigation assessments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A.10 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within control of the board of directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

A.11 – Budgets and budgetary accounting

An annual budget is established for the District. The budget is adopted on a basis consistent with generally accepted accounting principles except for capital purchases, note principal retirement and contract retirement, which are budgeted as operating expenses and depreciation and amortization, which are not budgeted as operating expenses. The legal level of control is considered to be the entity as a whole and expenses may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by the board of directors.

The District follows these procedures in establishing budgetary data reflected in the financial statements:

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

- On or before October 15th, the budget officer submits to the board of directors a budget which shall be a complete financial plan for the ensuing fiscal year.
- The budget is prepared using the cash basis of accounting.
- Public hearings are conducted to obtain comments.
- Prior to December 31st, the budget is legally adopted through passage of an adoption resolution.

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year-end, the District had total deposits of \$17,171,985, of which \$1,685,948 were insured and \$15,486,037 were collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Investments

Colorado State Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, corporate bonds, repurchase agreements and money market funds with a maturity date no more than five years from the date of purchase. The District currently has invested funds with Cetera Advisor Networks, LLC, consisting of U.S. government bonds from Federal Home Loan Banks in the amount of \$1,624,637.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note B – Cash and investments (continued)

At year-end, the District had the following fair value investments:

<u>Level 2</u>	
Taxable bonds – Federal Home Loan Banks	\$ <u>1,624,637</u>

Credit Risk – State statutes authorize the District to only invest in bank deposits, general obligations of the U.S. Government and its highest rated agencies, repurchase agreements of less than 180 days and collateralized by U.S. Treasury or Federal Instrumentality Securities with a maturity not exceeding 10 years, highest rated commercial paper, corporate bonds, certain banker’s acceptances, local government investment pools, money market funds and time certificates of deposit. The District has no investment policy that would further limit its investment choices. All investments in U.S. Instrumentalities are rated AA+, the highest rating available.

Interest rate risk – As a means of limiting exposure to fair value losses from interest rates, Colorado Revised Statutes limit maturities to five years or less, unless the Board of Directors authorizes longer maturities. The District follows Colorado Revised Statutes for its investments.

Taxable bonds, maturing in 1-5 years	\$ <u>1,624,637</u>
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Note C – Capital assets

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital assets, not being depreciated:				
Water rights	\$ 66,165,674	\$ 2,430,779	\$ -	\$ 68,596,453
Easements	263,114	-	-	263,114
Total capital assets, not being depreciated	66,428,788	2,430,779	-	68,859,567
Capital assets being depreciated:				
Equipment	65,570	313,550	-	379,120
Vehicles	39,290	59,254	(39,290)	59,254
Pipeline	17,701,881	-	-	17,701,881
Less accumulated depreciation	(3,279,249)	(373,310)	39,290	(3,613,269)
Total capital assets, being depreciated	14,527,492	(506)	-	14,526,986
Total capital assets	\$ 80,956,280	\$ 2,430,273	\$ -	\$ 83,386,553

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note D – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	Beginning Balances	Additions	Reductions	Ending Balances	Due within one year
Notes from direct borrowings	\$ 30,574,132	\$ -	\$ (3,758,440)	\$ 26,815,692	\$ 3,778,243
Contracts payable	9,785,404	17,618,193	(6,340,387)	21,063,210	6,241,680
<u>Totals</u>	<u>\$ 40,359,536</u>	<u>\$ 17,618,193</u>	<u>\$ (10,098,827)</u>	<u>\$ 47,878,902</u>	<u>\$ 10,019,923</u>

Notes payable

CWCB Note – Pipeline project – The District entered into a \$60,600,000 note agreement with the Colorado Water Conservation Board (the CWCB) dated November 3, 2008, due in annual installments of \$3,706,097 through 2029, with a final payment of \$1,136,404 due September 1, 2030. The interest rate for the agreement is 2.00%. The agreement provided for the disbursement of funds at the District’s request to facilitate the construction of the Republican River Compact Compliance Pipeline Project.

CWCB Note – Surface water rights– The District entered into a \$5,570,150 note agreement with the Colorado Water Conservation Board (the CWCB) dated April 10, 2020, due in annual installments of \$314,924 through 2040, with a final payment due May 1, 2040. The interest rate for the agreement is 1.20%. The agreement provided for the disbursement of funds at the District’s request to purchase surface water rights to assist the State of Colorado to meet its obligations under the Republican River Compact.

The loan agreements contain various covenants including the establishment and maintenance of a debt service reserve fund, in which the District is required to deposit an amount equal to one-tenth of an annual payment on the due date of its first annual loan payment and annually thereafter for the first ten years of repayment of this loan. The District has restricted funds in the amount of \$3,800,574 in satisfaction of the debt service fund. The District must also take all necessary actions consistent therewith during the term of this contract to establish, levy and collect rates, charges and fees in amounts sufficient to pay this loan, to cover all expenditures for operation and maintenance and emergency repair services, and to maintain adequate debt service reserves. The District believes it is in compliance with the covenants as set forth in the loan agreement.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note D – Long-term debt (Continued)

The District’s outstanding notes with the CWCB with current balances of \$26,565,692 are secured with collateral of the pledged revenues as defined in the loan agreements. The outstanding note contains (1) a provision that in an event of default as defined in the loan agreement, the CWCB shall have the right to suspend the contract and withhold further loan disbursements pending corrective action by the District, and if the District does not cure the default as provided for in the contract, to permanently cease loan disbursements and deem the project substantially complete, (2) declare the entire principal amount, accrued interest, and late charges, if any, then outstanding immediately due and payable, (3) exercise its right under any appendices to the contract, including, but not limited to, the promissory note and security agreement, and (4) take any other appropriate action.

The District entered into a \$750,000 note agreement with a landowner dated May 3, 2019, due in annual installments ranging from \$125,000 to \$250,000, with a final payment due May 1, 2024. The interest rate for the agreement is 0%. The agreement provided for the acquisition of varying water rights in local ditches. The District’s outstanding note with the landowner with a current balance of \$250,000 is unsecured.

The following schedule represents the District’s debt service requirements to maturity for the outstanding notes from direct borrowings at year-end:

Year Ended December 31,	Principal	Interest
2024	\$ 3,778,243	\$ 492,778
2025	3,596,750	424,270
2026	3,666,604	354,417
2027	3,737,829	283,192
2028	3,810,454	210,567
2029-2033	6,123,463	293,657
2034-2038	1,483,660	90,958
2039-2040	618,689	11,159
Totals	\$ 26,815,692	\$ 2,160,998

Contracts payable

In an effort to help the State of Colorado in complying with the Republican River Compact between Colorado, Kansas and Nebraska, the District has developed programs to provide options to producers who wish to voluntarily retire their irrigation water rights.

Conservation Reserve Enhancement Program (CREP) – is a conservation program in which a large-capacity water right used for irrigation is voluntarily permanently retired, a grass habitat is established, and the well owner receives an annual payment from FSA and the District in return for a 15 year contract.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note D – Long-term debt (Continued)

Environmental Quality Incentives Program (EQIP) – is a water conservation program in which the well owner voluntarily retires their large-capacity water right used for irrigation and in exchange is provided annual compensation through the NRCS and the District. The contract length may vary.

South Fork Focus Zone Program (SFFZ) – is a water conservation program in which the well owner voluntarily retires their large-capacity water right used for irrigation and in exchange is provided annual compensation through the NRCS and the District. The contract length may vary.

Republican River Water Conservation District Acreage Management Plan (RAMP) – is a water conservation program in which the well owner voluntarily retires at least 15% of their irrigated acres and in exchange is provided annual compensation through the District. The contract length may vary.

Well Permit Purchase Program (WPPP) – is a water conservation program in which the well owner voluntarily retires their large-capacity water right used for irrigation and in exchange is provided annual compensation through the District. The contract length may vary.

The following schedule represents the District’s requirements to maturity for the outstanding contracts payable at year-end:

<u>Year Ended December 31,</u>	<u>Payments</u>
2024	\$ 6,241,680
2025	6,225,475
2026	6,069,612
2027	1,253,533
2028	154,709
2029-2033	763,947
2034-2037	354,254
<u>Totals</u>	<u>\$ 21,063,210</u>

Note E – Risk management

The Republican River Water Conservation District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; claims relating to professional liability; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan

Summary of significant accounting policies

Pensions. The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the pension plan

Plan description. Eligible employees of the District are provided with pensions through the LGDTF – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2022. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. Section 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. Section 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. Section 24-51.413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. For State Troopers whose disability is caused by an on-the-job injury, the five-year service requirement is waived and they are immediately eligible to apply for disability benefits. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

Contributions as of December 31, 2023. Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements for the LGDTF are established under C.R.S. Section 24-51-401, *et seq.* and Section 24-51-413. Employee contribution rates for the year are summarized in the table below:

	January 1, 2022 Through June 30, 2022	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023	July 1, 2023 Through December 31, 2023
Employee contribution (all employees other than State Troopers)	8.50%	9.00%	9.00%	9.00%
State Troopers	12.00%	13.00%	13.00%	13.00%

** Contribution Rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

The employer contribution requirements for all employees other than State Troopers are summarized in the table below:

	January 1, 2022 Through June 30, 2022	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023	July 1, 2023 Through December 31, 2023
Employer contribution rate	10.50%	11.00%	11.00%	11.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%	(1.02)%
Amount apportioned to the LGDTF	9.48%	9.98%	9.98%	9.98%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411	2.20%	2.20%	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%	1.50%	1.50%	1.50%
Defined Contribution Supplement as specified in C.R.S. Section 24-51-41	0.03%	0.03%	0.06%	0.06%
Total employer contribution rate to the LGDTF	13.21%	13.71%	13.74%	13.74%

** Contribution Rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

The employer contribution rates for State Troopers are summarized in the table below:

	January 1, 2022 Through <u>June 30, 2022</u>	July 1, 2022 Through <u>December 31, 2022</u>	January 1, 2023 Through <u>June 30, 2023</u>	July 1, 2023 Through <u>December 31, 2023</u>
Employer contribution rate	13.60%	14.10%	14.10%	14.10%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	<u>(1.02)%</u>	<u>(1.02)%</u>	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the LGDTF	12.58%	13.08%	13.08%	13.08%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411	2.20%	2.20%	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411	1.50%	1.50%	1.50%	1.50%
Defined Contribution Supplement as specified in C.R.S. Section 24-51-415	<u>0.03%</u>	<u>0.03%</u>	<u>0.06%</u>	<u>0.06%</u>
Total employer contribution rate to the LGDTF	<u>16.31%</u>	<u>16.81%</u>	<u>16.84%</u>	<u>16.84%</u>

** Contribution Rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$34,973 for the year ended December 31, 2023.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The net pension liability for the LGDTF was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2022 relative to the total contributions of participating employers.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

At year-end, the District reported a liability of \$282,866 for its proportionate share of the net pension liability.

At December 31, 2022, the District’s proportion was 0.0282 percent, which was an increase of .0047% from its proportion measured as of December 31, 2021.

For the year, the District recognized pension expense of \$406. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,397
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	133,988	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	16,150	2,714
Contributions subsequent to the measurement date	<u>34,973</u>	<u>-</u>
Total	<u>\$ 185,111</u>	<u>\$ 4,111</u>

\$34,973 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2024	\$ 6,157
2025	25,650
2026	46,557
2027	<u>67,663</u>
Totals	<u>\$ 146,027</u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

Actuarial assumptions. The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	
Members other than State Troopers	3.20% - 11.30%
State Troopers	3.20% - 12.40%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06 ₁	Financed by the AIR

₁ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

The TPL for the LGDTF, as of the December 31, 2022 measurement date, was adjusted to reflect the disaffiliation, as allowable under C.R.S. Section 24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions for members other than State Troopers were based on the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members other than State Troopers were based on the PubG-2010 Healthy Retiree Table, adjusted as follows:

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based on the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the periods January 1, 2016 through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board’s November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global equity	54.00%	5.60%
Fixed income	23.00%	1.30%
Private equity	8.50%	7.10%
Real estate	8.50%	4.40%
Alternatives	<u>6.00%</u>	4.70%
Total	<u>100.00%</u>	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the LGDTF’s FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net pension liability	\$ <u>474,861</u>	\$ <u>282,866</u>	\$ <u>122,135</u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

Pension plan fiduciary net position. Detailed information about the LGDTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

Note G – Defined contribution pension plan

Voluntary Investment Program (PERAPlus 401(k) Plan)

Plan description. Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (PERAPlus 401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERAPlus 401(k) Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy. The PERAPlus 401(k) Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year, there were no contributions from program members of the District for the Voluntary Investment Program.

Note H – Defined benefit other post-employment benefit (OPEB) plan

Summary of Significant Accounting Policies

OPEB. The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

General Information about the OPEB Plan

Plan description. Eligible employees of the District are provided with OPEB through the HCTF – a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. Section 24-51-1202 *et seq.* specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. Section 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$2,596 for the year ended December 31, 2023.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At year-end, the District reported a liability of \$18,372 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2022. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the District's proportion was 0.0023%, which was an increase of 0.0005% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the District recognized OPEB expense of \$7,547. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3	\$ 4,001
Changes of assumptions or other inputs	246	1,930
Net difference between projected and actual earnings on OPEB plan investments	694	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	33	7,225
Contributions subsequent to the measurement date	<u>2,596</u>	<u>-</u>
Total	<u>\$ 3,572</u>	<u>\$ 13,156</u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

\$2,596 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>June 30, _____</u>	<u>Amount</u>
2024	\$ (3,659)
2025	(3,426)
2026	(2,149)
2027	(1,275)
2028	(1,364)
2029	<u>(307)</u>
Total	<u>\$ (12,180)</u>

Actuarial assumptions. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs for the School Division:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40%-11.00%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	6.50% in 2022, gradually decreasing to 4.50% in 2030
Medicare Part A premiums	3.75% in 2022, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

The total OPEB liability for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. Section 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions		
Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,514	\$5,542	\$4,227	\$3,596	\$6,752	\$5,739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

The 2022 Medicare Part A premium is \$499 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

The PERA benefit structure health care cost trend rates used to measure the total OPEB liability are summarized in the table below:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the total OPEB liability for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the total OPEB liability, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	<u>6.00%</u>	4.70%
Total	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate ¹	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	<u>3.50%</u>	<u>4.50%</u>	<u>5.50%</u>
Net OPEB Liability	\$ 17,852	\$ 18,372	\$ 18,398

¹For the January 1, 2023, plan year.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

Discount rate. The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net OPEB liability	\$ <u>21,298</u>	\$ <u>18,372</u>	\$ <u>15,869</u>

OPEB plan fiduciary net position. Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the OPEB plan

The District did not report any payables to the OPEB plan at year-end.

Note I – Commitments and contingencies

Taxpayer Bill of Rights

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and local growth. Revenue received in excess of the limitation may be required to be refunded unless the District voters decide to allow the District to retain the revenue. The District may be subject to the provisions of the TABOR Amendment. TABOR is complex and subject to judicial interpretation. The District considers itself to be a water activity enterprise and, in accordance with Colorado Revised Statutes 37-45.1-103, is excluded from the provisions of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance.

Colorado local government budget laws

Expenses exceeded appropriations by \$8,076,959, which may be a violation of local government budget laws.

	<u>Budgeted Amount</u>	<u>Appropriated Amount</u>	<u>Actual</u>
Expenses	\$ <u>26,532,685</u>	\$ <u>8,695,148</u>	\$ <u>16,772,107</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Schedule of the District's Proportionate Share of the Net Pension Liability – PERA's Local Government Division Trust Fund
- Schedule of District Contributions – PERA's Local Government Division Trust Fund
- Schedule of the District's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund
- Schedule of District Contributions – PERA's Health Care Trust Fund

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
PERA's Local Government Division Trust Fund
December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net pension liability	0.0282%	0.0235%	0.0262%	0.0263%
District's proportionate share of the net pension liability/(asset)	\$ 282,866	\$ (20,107)	\$ 136,353	\$ 191,995
District's covered payroll	\$ 235,535	\$ 179,400	\$ 189,710	\$ 181,200
District's proportionate share of the net pension liability as a percentage of its covered payroll	120.10%	-11.21%	71.87%	105.96%
Plan fiduciary net position as a percentage of the total pension liability	82.99%	101.49%	90.88%	86.26%

* The amounts presented for each fiscal year were determined as of December 31 of the prior year.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0287%	0.0297%	0.0278%	0.0344%	0.0325%	0.0278%
\$ 360,821	\$ 330,502	\$ 375,457	\$ 378,846	\$ 291,605	\$ 228,964
\$ 188,242	\$ 187,255	\$ 168,531	\$ 195,315	\$ 169,197	\$ 149,040
191.68%	176.50%	222.78%	193.97%	172.35%	153.63%
75.96%	79.37%	73.60%	76.90%	80.70%	77.66%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Schedule of District Contributions
PERA's Local Government Division Trust Fund
December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 34,973	\$ 31,094	\$ 23,034	\$ 23,884
Contributions in relation to the contractually required contribution	<u>(34,973)</u>	<u>(31,094)</u>	<u>(23,034)</u>	<u>(23,884)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 254,537	\$ 235,535	\$ 179,400	\$ 189,710
Contributions as a percentage of covered payroll	13.74%	13.20%	12.84%	12.59%

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	\$ 22,976	\$ 23,869	\$ 23,744	\$ 21,370	\$ 24,766	\$ 21,454
	<u>(22,976)</u>	<u>(23,869)</u>	<u>(23,744)</u>	<u>(21,370)</u>	<u>(24,766)</u>	<u>(21,454)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ 181,200	\$ 188,242	\$ 187,255	\$ 168,531	\$ 195,315	\$ 169,197
	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability ¹
PERA's Health Care Trust Fund
December 31, 2023

	2023	2022	2021	2020
District's proportion of the net OPEB liability	0.0023%	0.0018%	0.0020%	0.0020%
District's proportionate share of the net OPEB liability	\$ 18,372	\$ 15,513	\$ 18,754	\$ 22,576
District's covered payroll	\$ 228,335	\$ 172,200	\$ 182,510	\$ 180,600
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	8.05%	9.01%	10.28%	12.50%
Plan fiduciary net position as a percentage of the net OPEB liability	38.57%	39.40%	32.78%	24.49%

* The amounts presented for each fiscal year were determined as of December 31 of the prior year.

¹ Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.0022%	0.0023%	0.0021%
\$ 30,281	\$ 29,976	\$ 27,673
\$ 188,242	\$ 187,255	\$ 168,531
16.09%	16.01%	16.42%
17.03%	17.53%	16.72%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Schedule of District Contributions ¹
PERA's Health Care Trust Fund
December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 2,596	\$ 2,329	\$ 1,756	\$ 1,862
Contributions in relation to the contractually required contribution	<u>(2,596)</u>	<u>(2,329)</u>	<u>(1,756)</u>	<u>(1,862)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 254,537	\$ 228,335	\$ 172,200	\$ 182,510
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

¹ Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	\$ 1,842	\$ 1,920	\$ 1,910	\$ 1,719
	<u>(1,842)</u>	<u>(1,920)</u>	<u>(1,910)</u>	<u>(1,719)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ 180,600	\$ 188,242	\$ 187,255	\$ 168,531
	1.02%	1.02%	1.02%	1.02%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Required Supplementary Information

Note A - Factors affecting trends in amounts reported in the pension and OPEB schedules

Information about factors that significantly affect trends in the amounts reported in the Schedules of the District's Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Supplementary Information

Supplementary information includes financial schedules not required by the Governmental Accounting Standards Board, are not a part of the basic financial statements, but are presented for purposes of additional analysis.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Budgetary Comparison Schedule
For the Year Ended December 31, 2023

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Assessments	\$ 15,660,000	\$ 15,660,000	\$ 15,402,044	\$ (257,956)
Total operating revenues	15,660,000	15,660,000	15,402,044	(257,956)
Operating expenses				
Capital purchases	47,500	47,500	372,804	(325,304)
Channel restoration	25,000	25,000	1,195	23,805
Contingencies	2,800,000	1,975,133		1,975,133
County treasurer fees	468,450	468,450	456,993	11,457
Dues, education and training	12,000	12,000	6,688	5,312
Education and outreach	9,000	9,000	3,501	5,499
Fringe benefits	46,383	46,383	41,861	4,522
Insurance and bonding	35,000	70,000	80,294	(10,294)
Land and water expenses	2,000	2,000	215	1,785
Meetings	28,000	28,000	15,133	12,867
Miscellaneous			130	(130)
Office	48,500	48,500	35,258	13,242
Payroll	275,900	275,900	264,183	11,717
Pipeline operation	600,000	600,000	419,410	180,590
Pipeline revegetation	1,000,000	1,000,000		1,000,000
Professional services	406,000	424,300	309,377	114,923
Program payments	14,281,961	14,281,961	7,702,434	6,579,527
Travel	34,000	40,500	30,292	10,208
Vehicle	12,000	12,000	4,837	7,163
Water lease	29,412	29,412	29,412	-
Water purchases	2,000,000	2,717,067	2,430,779	286,288
Total operating expenses	22,161,106	22,113,106	12,204,796	9,908,310
Operating income (loss)	(6,501,106)	(6,453,106)	3,197,248	9,650,354

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Nonoperating revenues (expenses)				
Debt service interest	(565,139)	(565,139)	(565,139)	-
Debt service principal	(3,758,440)	(3,758,440)	(3,758,440)	-
Donations			5,040	5,040
Grant revenue	9,490,704	9,490,704	5,543,739	(3,946,965)
Gain on disposal of assets			13,500	13,500
Grant expenses	(48,000)	(96,000)	(243,732)	(147,732)
Interest on investments	99,000	99,000	644,895	545,895
Investment loss	(150,000)	(150,000)	57,022	207,022
Total nonoperating revenues (expenses)	5,068,125	5,020,125	1,696,885	(3,323,240)
Change in net position	\$ (1,432,981)	\$ (1,432,981)	4,894,133	\$ 6,327,114
Adjustments to GAAP Basis				
Add capital purchases			372,804	
Add water purchases			2,430,779	
Add debt service principal			3,758,440	
Add program payments			6,340,387	
Add pension and other post- employment benefit expense			29,616	
Deduct program contracts expense			(17,618,193)	
Deduct depreciation and amortization			(623,310)	
Cash basis adjustments			7,461,545	
Change in net position - GAAP Basis			7,046,201	
Net position at beginning of year			60,005,726	
Net position at end of year			\$ 67,051,927	

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Single Audit Section

The Single Audit Section contains the following:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

	Federal AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
	<u> </u>	<u> </u>	<u> </u>
U.S. Department of the Treasury			
Passed Through the Colorado Department of Natural Resources:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	CMS#178950	\$ 4,369,891
			<u> </u>
Total Expenditures of Federal Awards			<u>\$ 4,369,891</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Note A – Basis of Presentation

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

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statement(s) of the federal program. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

Republican River Water Conservation District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D – Subrecipients

Republican River Water Conservation District did not pass through any federal grants to subrecipients.

Note E – Reconciliation of Amounts Reported on the Schedule to Amounts Reported on Financial Statements

The District entered into contracts with well owners who voluntarily retire their large-capacity water right used for irrigation and in exchange are provided annual compensation. The contract length may vary. During the year, the District entered into contracts totaling \$11,815,068 to be paid with federal funds, with current year payments of \$4,369,891 being reported as federal expenditures on the Schedule and future payments of \$7,445,177 being reported on the Schedule in future periods.

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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of District Commissioners
Republican River Water Conservation District
Wray, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Republican River Water Conservation District (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 18, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
June 18, 2024



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of District Commissioners
Republican River Water Conservation District
Wray, Colorado

Report on Compliance of Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
June 18, 2024

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

Summary of auditors' results

1. The auditors' report expresses an unmodified opinion on the financial statements of Republican River Water Conservation District (the District).
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs of the District expresses an unmodified opinion on all major federal award programs.
6. The audit did not disclose any findings relative to the major federal award programs of the District.
7. The program tested as major program included:

Coronavirus State and Local Fiscal Recovery Funds	CFDA No. 21.027
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8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The District did not qualify as a low-risk auditee.

Findings – financial statement audit

We noted no findings that are required to be reported under *Government Auditing Standards*.

Findings and questioned costs – major federal award programs audit

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.

Prior year findings

There were no findings or questioned costs reported for the year ended December 31, 2022.