

**REPUBLICAN RIVER  
WATER CONSERVATION DISTRICT**

Financial Statements  
For the Year Ended December 31, 2008

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REPUBLICAN RIVER WATER CONSERVATION DISTRICT

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December 31, 2008

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying statement of net assets of the Republican River Water Conservation District as of December 31, 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Republican River Water Conservation District as of December 31, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

WINEREY & COUNTY, PC  
Certified Public Accountants



by: Gerald County, CPA

July 9, 2009

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**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2008**

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year ending December 31, 2008. Please read it in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

The District's net assets decreased by \$2,487,932 due to increased long-term liability contracts. The purpose of the contracts is to lease and retire water rights. Future fee assessment revenue will be used to pay the long-term liability contracts over the next 20 years. The fee assessment was increased in 2008 and is expected to provide enough future revenue to increase total net assets to become a positive number within five years.

During the year, the District's non-operating revenues decreased by \$9,851.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts;

Management's Discussion and Analysis

Financial Statements

Supplementary Information

**FINANCIAL ANALYSIS OF THE DISTRICT**

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

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2008**

**NET ASSETS**

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

**Condensed Balance Sheet**

	<u>2008</u>	<u>2007</u>	<u>\$ Change</u>
Current Assets	2,116,265	6,119,047	(4,002,782)
Capital Assets	<u>11,480,263</u>	<u>19,020</u>	<u>11,461,243</u>
 Total Assets	 13,596,528	 6,138,067	 7,458,461
 Current Liabilities	 2,486,348	 730,592	 1,755,756
Long-term Liabilities	<u>13,511,878</u>	<u>5,321,241</u>	<u>8,190,637</u>
 Total Liabilities	 15,998,226	 6,051,833	 9,946,393
 Invested in Capital Assets			
Net of Related Debt	4,622,905	19,020	4,603,885
Restricted for TABOR	98,181	98,181	-0-
Non-restricted	<u>(7,122,784)</u>	<u>(30,967)</u>	<u>(7,091,817)</u>
 Total Net Assets	 <u>(2,401,698)</u>	 <u>86,234</u>	 <u>(2,487,932)</u>

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2008**

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

**Condensed Statement of Activities**

	2008	2007	\$ Change
Operating Revenue	2,793,420	2,884,789	(91,369)
Non-Operating Revenue	59,460	232,541	(173,081)
<b>Total Revenues</b>	<b>2,852,880</b>	<b>3,117,330</b>	<b>(264,450)</b>
Depreciation	6,272	6,497	(225)
Other Operating Expenses	4,829,653	3,403,434	1,426,219
G & A Expense	504,887	496,300	8,587
<b>Total Expenses</b>	<b>5,340,812</b>	<b>3,906,231</b>	<b>1,434,581</b>
<b>Change in Net Assets</b>	<b>(2,487,932)</b>	<b>(788,901)</b>	<b>(1,699,031)</b>
Beginning Net Assets	86,234	875,135	(788,901)
<b>Ending Net Assets</b>	<b>(2,401,698)</b>	<b>86,234</b>	<b>(2,487,932)</b>

**BUDGETARY HIGHLIGHTS**

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

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2008**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2008, the District had invested \$11,480,263 in capital assets.

	<u>12/31/08</u>	<u>12/31/07</u>
Pipeline	1,477,857	0
Equipment	6,489	6,489
Vehicles	25,600	27,847
Long Term Lease	5,000,000	0
Water Rights	4,929,196	0
Farm Credit Stock	1,000	0
Loan Origination Fees	45,000.00	0.00
<b>Total</b>	<b>11,485,142</b>	<b>34,336</b>
Less accumulated depreciation	<u>(4,878)</u>	<u>(15,315)</u>
<b>Total</b>	<b><u>11,480,263</u></b>	<b><u>19,020</u></b>

**Long-Term Debt**

In 2008, additional EQIP & CREP contracts were issued. A long-term lease was issued. Additional long-term loans were issued for pipeline construction and purchase of water rights. See note 5 to the financial statements for further information.

	<u>12/31/08</u>	<u>12/31/07</u>
CREP & EQIP Contracts	8,991,620	5,568,184
Long Term Lease Loan	4,545,000	0
Pipeline Loan	1,258,367	0
Water Rights Loan	<u>1,053,990</u>	<u>0</u>
<b>Total</b>	<b>15,848,978</b>	<b>5,568,184</b>

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2008**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES**

The District's Board of Directors and management consider many factors when setting the 2009 budget, including user fees and charges. The following table presents the changes in the District's budget from 2008 to 2009

	<u>2009</u>	<u>2008</u>	<u>\$ Change</u>
Operating Revenue	7,223,600	2,793,000	4,430,600
Non-Operating Revenue	173,500	240,000	(66,500)
Loans	59,045,000	64,545,000	(5,500,000)
Beginning Balance	<u>1,023,310</u>	<u>5,602,011</u>	<u>(4,578,701)</u>
Total Revenue	<u>67,465,410</u>	<u>73,180,011</u>	<u>(5,714,601)</u>
Other Operating Expense	2,698,414	8,031,412	(5,332,998)
G & A Expense	791,594	543,227	248,367
Capital Outlay	63,900,057	64,545,000	(644,943)
Non-Operating Expense	<u>0</u>	<u>50,000</u>	<u>(50,000)</u>
Total Expense	<u>67,390,065</u>	<u>73,169,639</u>	<u>(5,779,574)</u>
Ending Net Assets	<u><u>75,345</u></u>	<u><u>10,372</u></u>	<u><u>64,973</u></u>

**Requests for Information**

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

BASIC FINANCIAL STATEMENTS



## REPUBLICAN RIVER WATER CONSERVATION DISTRICT

## Statement of Net Assets

December 31, 2008

ASSETS		
Current Assets		
Cash and cash equivalents	1,457,555	
Certificates of deposit	519,467	
Accounts receivable	137,942	
Inventory	<u>1,301</u>	
Total Current Assets		2,116,265
Capital Assets		
Farm Credit Stock	1,000	
Water Rights	4,929,196	
Prepaid Long Term Leases	5,000,000	
Loan Origination Fees	45,000	
Pipeline	1,477,857	
Equipment	6,489	
Vehicle	25,600	
Less: Accumulated depreciation	<u>(4,878)</u>	
Net Capital Assets		<u>11,480,263</u>
TOTAL ASSETS		<u>13,596,528</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	147,891	
Payroll liabilities	1,356	
Current portion of long-term	<u>2,337,100</u>	
Total Current Liabilities		2,486,348
Long-Term Liabilities		
CREP contracts	4,952,819	
EQIP contracts - well retirement	2,755,692	
Loans Payable	<u>5,803,367</u>	
Total Long-Term Liabilities		<u>13,511,878</u>
TOTAL LIABILITIES		15,998,226
Net Assets		
Investment in capital assets, net of related debt	5,676,896	
Restricted for TABOR	98,181	
Unrestricted	<u>(8,176,775)</u>	
TOTAL NET ASSETS		<u>(2,401,698)</u>

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Statement of Revenue, Expenses, and Changes in Net Assets  
For the Year Ended December 31, 2008

OPERATING REVENUES		
Irrigation assessment fees	2,734,527	
Commercial & Municipal well assessment	45,045	
Surface evaporative water loss	<u>13,849</u>	
Total Operating Revenues		2,793,420
OPERATING EXPENSES		
County Treasurer fees	81,159	
EQIP & CREP contracts	4,707,817	
Telephone	3,613	
Travel expenses	23,563	
Vehicle expenses	599	
Depreciation	6,272	
CIG grants	<u>12,902</u>	
Total Operating Expenses		4,835,925
GENERAL & ADMINISTRATIVE EXPENSES		
Salaries & wages	98,170	
Employee benefits	30,846	
Office expenses	17,537	
Accounting & audit fees	48,275	
Consulting	26,187	
Engineering fees	23,387	
Legal fees	113,240	
Lobbyist fees	48,530	
Other professional fees	12,000	
Insurance	3,671	
Directors expenses	<u>83,043</u>	
Total General & Administrative Expenses		<u>504,887</u>
TOTAL EXPENSES		<u>5,340,812</u>
OPERATING INCOME		(2,547,391)
OTHER INCOME (EXPENSE)		
Interest income	181,120	
Interest expense	(182,932)	
Interest on fees	14,510	
Grants	50,000	
Gain/(Loss) on assets	<u>(3,238)</u>	
Total Other Income		<u>59,460</u>
CHANGE IN NET ASSETS		(2,487,932)
NET ASSETS - Beginning		<u>86,233</u>
NET ASSETS - Ending		<u>(2,401,698)</u>

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

## REPUBLICAN RIVER WATER CONSERVATION DISTRICT

## Statement of Cash Flows

For the Year Ended December 31, 2008

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from fees	2,698,412
Paid for salaries & benefits	(145,737)
Paid for Board compensation	(41,125)
Paid to well owners	(1,696,436)
Paid to suppliers	(352,027)
Net Cash Provided by Operating Activities	463,087
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Acquisition of fixed assets	(1,549,457)
Acquisition of water rights	(4,929,196)
Acquisition of long term leases	(5,000,000)
Interest Expense	(180,355)
Debt proceeds	10,803,367
Debt payments	(3,946,010)
Net Cash Provided by Capital Financing Activities	(4,801,650)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Interest income	195,630
Grants received	50,000
Cash Used by Non-Capital Financing Activities	245,630
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Certificates of deposit and savings account	4,331,377
<b>NET INCREASE (DECREASE) IN CASH</b>	238,445
<b>CASH - Beginning of year</b>	<u>1,219,109</u>
<b>CASH - End of year</b>	<u>1,457,555</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	(2,547,391)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Depreciation	6,272
Changes in Assets & Liabilities	
Accounts receivable	(88,849)
Inventory	(1,301)
Accounts payable	76,647
Accrued interest	2,577
Payroll liabilities	1,006
Contracts payable	3,014,126
Total Adjustments	<u>3,010,479</u>
Net Cash Provided by Operating Activities	<u>463,087</u>

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** - the District is a governmental unit operating with a sole enterprise fund while in accordance with Colorado Statute. The District was established to provide compliance with the Republican River Compact on behalf of the State of Colorado.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are special assessment fees charged to landowners for their water usage. Operating expenses for the fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

## REPUBLICAN RIVER WATER CONSERVATION DISTRICT

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(continued)

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

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

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

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

Net Assets - represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets are reported as restricted when there limitations imposed on their use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

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

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(continued)

(2) CASH DEPOSITS AND CASH EQUIVALENTS

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

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

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

Deposits are in 4 financial institutions and listed by appropriate risk category as follows:

	Bank Balance	Carrying Balance
On hand		50
Insured (FDIC)	978,769	978,769
Uninsured: Collateral held by District's agent in agent's name	<u>998,203</u>	<u>998,203</u>
Total Cash	1,977,022	1,977,022
Shown as certificates of deposit		<u>(519,467)</u>
Shown as cash & cash equivalents		<u>1,457,555</u>

(3) ACCOUNTS RECEIVABLE

The accounts receivable balance includes amounts due from District customers. The District uses the allowance method to recognize bad debts. No allowance for bad debts was deemed necessary at December 31, 2008.

## REPUBLICAN RIVER WATER CONSERVATION DISTRICT

## Notes to the Financial Statements

For the Year Ended December 31, 2008

(continued)

## (4) CAPITAL ASSETS

A summary of changes to capital assets for 2008 follows:

	Balance			Balance
	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31</u>
Pipeline	-0-	1,477,857	-0-	1,477,857
Long Term Lease	-0-	5,000,000	-0-	5,000,000
Water Rights	-0-	4,929,196	-0-	4,929,196
Loan Origination Fees	-0-	45,000	-0-	45,000
Farm Credit Stock	-0-	1,000	-0-	1,000
Equipment	6,489	-0-	-0-	6,489
Automobile	<u>27,847</u>	<u>25,600</u>	<u>27,847</u>	<u>25,600</u>
Total	34,336	11,478,653	27,847	11,485,142
Accumulated Depreciation	<u>15,315</u>	<u>3,487</u>	<u>13,924</u>	<u>4,878</u>
Net Capital Assets	<u>19,021</u>	<u>11,475,166</u>	<u>(13,923)</u>	<u>11,480,264</u>

## (5) LONG-TERM DEBT

Changes in Long-Term Debt

	Balance			Balance
	<u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31</u>
EQIP contracts	1,158,540	3,829,308	1,105,061	3,882,787
CREP contracts	4,671,499	615,045	207,123	5,079,421
Leases payable	150,200	-0-	120,787	29,413
Long Term Lease	-0-	5,000,000	3,946,010	1,053,990
Water Rights	-0-	4,545,000	-0-	4,545,000
Pipeline Loan	<u>-0-</u>	<u>1,258,367</u>	<u>-0-</u>	<u>1,258,367</u>
Total	5,980,239	15,247,720	5,378,981	15,848,978

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(continued)

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

Due in	
<u>Year</u>	<u>Amount</u>
2009	1,127,096
2010	1,095,850
2011	802,798
2012	738,294
2013	<u>118,749</u>
Total	3,882,787

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

Due in	
<u>Year</u>	<u>Amount</u>
2009	126,602
2010	162,955
2011	1,235,643
2012	133,481
2013	133,481
2014-2018	1,777,110
2019-2021	<u>1,510,149</u>
Total	5,079,421

REPUBLICAN RIVER WATER CONSERVATION DISTRICT

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(continued)

Also in 2006, the District entered into leases with the landowners. These lease are from 2 to 4 years. The following information summarizes the annual amounts due for the leases.

<u>Due in</u> <u>Year</u>	<u>Amount</u>
2009	29,413

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

As of December 31, 2008, the District had made payments of \$3,946,010, leaving a balance of \$1,053,990. The District plans to pay the remaining balance in 2009.

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

<u>Due in</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009			0
2010	182,446	102,262	284,708
2011	186,551	98,157	284,708
2012	190,748	93,960	284,708
2013	195,040	89,668	284,708
2014-2018	1,043,034	380,507	1,423,541
2019-2023	1,165,776	255,765	1,423,541
2024-2028	1,302,962	120,579	1,423,541
2029	<u>278,443</u>	<u>6,266</u>	<u>284,709</u>
Total;	4,545,000	1,149,164	5,694,164

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

At December 31, 2008, the District had drawn \$1,258,367 on this loan.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT

Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(continued)

Total long-term commitments

Due in Year	Principal Amount	Interest Amount	Total
2009	2,337,100	0	2,337,100
2010	1,441,251	102,263	1,543,514
2011	3,483,354	98,158	3,581,512
2012	1,062,523	93,960	1,156,483
2013	447,270	89,668	536,938
2014-2018	2,820,144	380,507	3,200,651
2019-2023	2,675,925	257,765	2,933,690
2024-2028	1,302,962	120,579	1,423,541
2029	278,443	6,265	284,708
Total	15,848,973	1,149,164	16,998,137

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

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

Operating Revenues - GAAP basis	2,793,420
Non-Operating Revenues (Expenses) - GAAP basis	59,460
Total Revenues - GAAP basis	2,852,880
Operating Expenses - GAAP basis	5,340,812
Interest Expense	182,932
Capital Outlay	11,476,406
Less Depreciation	(6,272)
Total Expenses - Budgetary Basis	16,993,878

(7) RISK MANAGEMENT

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2008  
(continued)

(8) TABOR REQUIREMENTS

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

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

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

The total amount of restricted net assets for emergency reserves at December 31, 2008 is \$98,181.

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

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

(9) BUDGETARY COMPLIANCE

For the year ended December 31, 2008, expenditures did not exceed the budgeted amount.

REQUIRED SUPPLEMENTARY INFORMATION

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Statement of Revenues and Expenditures - Budget to Actual  
Non-GAAP Budgetary Basis  
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Irrigation Assessment Fees	2,760,000	2,760,000	2,749,037	(10,963)
Commercial & Municipal Well Assessments	43,000	43,000	45,045	2,045
Surface Evaporative Loss Fees	0	0	13,849	13,849
Grants	0	50,000	50,000	0
Interest Income	180,000	180,000	181,120	1,120
Total Revenues	<u>2,983,000</u>	<u>3,033,000</u>	<u>3,039,050</u>	<u>6,050</u>
<b>EXPENDITURES</b>				
Salaries & Wages	92,958	92,958	98,170	(5,212)
Employee Benefits	36,079	36,079	30,846	5,233
Board and Director Expenses	68,800	68,800	59,125	9,675
Office	19,288	19,288	17,187	2,101
Engineering Fees	50,000	50,000	23,387	26,613
Legal Fees	100,000	100,000	113,240	(13,240)
Accounting & Auditing	36,000	36,000	48,275	(12,275)
Lobbyist Fees	30,000	30,000	48,530	(18,530)
Other Professional Fees	26,400	26,400	38,187	(11,787)
EQIP Contracts	1,123,845	1,123,845	4,109,131	(2,985,286)
CREP Contracts	253,750	253,750	237,249	16,501
Leases	29,413	29,413	361,438	(332,025)
Interest	0	0	182,932	(182,932)
Operating Expenses	83,702	83,702	68,616	15,086
County Treasurer's Fees	82,500	82,500	81,159	1,341
Capital Outlay	0	64,595,000	11,476,406	53,118,594
Total Expenditures	<u>2,032,735</u>	<u>66,627,735</u>	<u>16,993,878</u>	<u>49,633,857</u>
Excess of Revenues over (under) Expenditures	950,265	(63,594,735)	(13,954,827)	49,639,908
Other Financing Sources				
Loan Proceeds	0	64,545,000	10,803,367	(53,741,633)
Excess of Revenues and Other Sources over (under) Expenditures	<u>950,265</u>	<u>950,265</u>	<u>(3,151,460)</u>	<u>(4,101,725)</u>