

**REPUBLICAN RIVER
WATER CONSERVATION DISTRICT**

Financial Statements

For the Year Ended December 31, 2014



REPUBLICAN RIVER WATER CONSERVATION DISTRICT
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December 31, 2014

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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 position of the Republican River Water Conservation District as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages a-e and 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. For the management discussion & analysis 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. The budgetary comparison schedule for the General Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

WINFREY, COUNTY & HAYS, PC
Certified Public Accountants


by: Gerald County, CPA

July 6, 2015

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2014**

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, 2014. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$4,685,824. Due to higher prices paid for commodities, there were nominal acres added to conservation programs in which irrigation wells are permanently retired. The construction of the pipeline is considered complete.

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, 2014**

NET ASSETS

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

Condensed Balance Sheet

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>
Current Assets	5,132,935	8,861,262	(3,728,327)
Capital Assets	<u>76,023,445</u>	<u>76,637,744</u>	<u>(614,299)</u>
Total Assets	81,156,379	85,499,006	(4,342,626)
Current Liabilities	3,298,279	3,335,881	(37,602)
Long-term Liabilities	<u>48,840,705</u>	<u>57,831,554</u>	<u>(8,990,849)</u>
Total Liabilities	52,138,984	61,167,435	(9,028,451)
Invested in Capital Assets	27,575,017	19,564,198	8,010,819
Restricted for TABOR	98,181	98,181	0
Restricted for debt service	1,111,829	741,220	370,609
Non-restricted	<u>232,369</u>	<u>3,927,972</u>	<u>(3,695,603)</u>
Total Net Assets	<u>29,017,396</u>	<u>24,331,571</u>	<u>4,685,825</u>

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2014**

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.

Condensed Statement of Activities

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>
Operating Revenue	7,418,600	7,899,955	(481,355)
Non-Operating Revenue	39,182	49,117	(9,935)
Total Revenues	<u>7,457,782</u>	<u>7,949,072</u>	<u>(461,290)</u>
Depreciation & Amortization	642,504	322,730	319,774
Other Operating Expenses	518,775	598,580	(79,805)
G & A Expenses	587,361	667,110	(79,749)
Non-Operating Expenses	<u>1,023,318</u>	<u>1,195,340</u>	<u>(172,022)</u>
Total Expenses	<u>2,415,721</u>	<u>2,783,760</u>	<u>(11,802)</u>
Change in Net Assets	4,685,824	5,165,312	(479,488)
Beginning Net Assets	<u>24,331,571</u>	<u>19,166,259</u>	<u>5,165,312</u>
Ending Net Assets	<u>29,017,396</u>	<u>24,331,571</u>	<u>4,685,825</u>

BUDGETARY HIGHLIGHTS

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

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had invested \$77,971,922 in capital assets.

	<u>12/31/14</u>	<u>12/31/13</u>
Pipeline	17,686,033	17,657,829
Equipment	6,489	6,489
Vehicles	33,840	33,840
Long Term Lease	5,000,000	5,000,000
Water Rights	54,392,467	54,392,467
Easements	263,114	263,114
Loan Origination Fees	<u>589,979</u>	<u>589,979</u>
Total	<u>77,971,922</u>	<u>77,943,718</u>
Less accumulated depreciation	<u>(1,592,240)</u>	<u>(1,305,973)</u>
Total	<u>76,379,682</u>	<u>76,637,745</u>

Long-Term Debt

In 2014 \$8,797,621.73 principal payments were made on the Pipeline Loan. See note 5 to the financial statements for further information.

	<u>12/31/14</u>	<u>12/31/13</u>
CREP & EQIP Contracts	3,322,633	3,601,077
Pipeline Loan	48,448,427	57,073,546
Leases Payable	<u>0</u>	<u>21,017</u>
Total	51,771,060	60,695,640

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The District's Board of Directors and management consider many factors when setting the 2015 budget, including user fees and charges. The following table presents the changes in the District's budget from 2014 to 2015.

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>
Operating Revenue	7,326,210	7,166,466	(233,642)
Non-Operating Revenue	42,000	50,000	0
Beginning Balance	<u>4,955,148</u>	<u>5,950,267</u>	<u>(4,310,881)</u>
Total Revenue	12,323,358	13,166,733	(4,544,523)
Other Operating Expense	959,728	991,044	(576,388)
G & A Expense	717,038	749,124	38,457
Capital Outlay	8,342,129	8,594,039	(1,818,328)
Non-Operating Expense	<u>968,969</u>	<u>1,081,471</u>	<u>(220,197)</u>
Total Expense	<u>10,987,864</u>	<u>11,415,678</u>	<u>(2,576,456)</u>
Ending Net Assets	<u>1,335,494</u>	<u>1,751,055</u>	<u>(1,968,067)</u>

Requests for Information

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Net Position
December 31, 2014

ASSETS		
Current Assets		
Cash and cash equivalents	992,893	
Certificates of deposit	2,135,280	
FFEC/Southwest Securities	2,001,648	
Accounts receivable	<u>3,115</u>	
Total Current Assets		5,132,935
Capital Assets		
Water Rights	54,392,467	
Easements	263,114	
Prepaid Long Term Leases	5,000,000	
Loan Origination Fees	589,979	
Pipeline	17,686,033	
Equipment & Vehicle	40,329	
Less: Accumulated depreciation/amortization	<u>(1,948,477)</u>	
Net Capital Assets		<u>76,023,445</u>
TOTAL ASSETS		81,156,379
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	44,049	
Accrued interest	323,873	
Current portion of long-term	<u>2,930,356</u>	
Total Current Liabilities		3,298,279
Long-Term Liabilities		
CREP contracts	3,100,546	
EQIP contracts - well retirement	28,860	
Loans payable	<u>45,711,299</u>	
Total Long-Term Liabilities		<u>48,840,705</u>
TOTAL LIABILITIES		<u>52,138,984</u>
Net Position		
Investment in capital assets	27,575,017	
Restricted for TABOR	98,181	
Unrestricted	<u>1,344,197</u>	
TOTAL NET POSITION		<u>29,017,396</u>

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended December 31, 2014

OPERATING REVENUES		
Irrigation assessment fees	7,019,370	
Commercial & Municipal well assessment	123,913	
Surface evaporative water loss	658	
Conservation income	14,050	
Water & property leases	<u>260,609</u>	
Total Operating Revenues		7,418,600
 OPERATING EXPENSES		
County Treasurer fees	207,215	
Telephone	4,208	
Travel expenses	17,408	
Vehicle expenses	211	
Pipeline	242,628	
CIG grants & conservation	30,318	
Land & Water expenses	7,237	
WPP Expenses	4,219	
Depreciation	<u>642,504</u>	
Total Operating Expenses		1,155,949
 GENERAL & ADMINISTRATIVE EXPENSES		
Salaries & wages	107,557	
Employee benefits	41,578	
Office expenses	22,580	
Accounting & audit fees	23,146	
Consulting	26,051	
Engineering fees	43,780	
Legal fees	187,705	
Lobbyist fees	50,138	
Other professional fees	107	
Insurance	16,057	
Directors expenses	<u>73,991</u>	
Total General & Administrative Expenses		<u>592,691</u>
 TOTAL EXPENSES		
		<u>1,748,640</u>
 OPERATING INCOME		
		5,669,960
 OTHER INCOME (EXPENSE)		
Interest income	15,843	
Interest expense	(1,023,318)	
Investment Gain/Loss	1,648	
Interest on fees	<u>21,692</u>	
Total Other Income		<u>(984,136)</u>
 CHANGE IN NET POSITION		
		4,685,824
 NET POSITION - Beginning		
		<u>24,331,571</u>
 NET POSITION - Ending		
		<u>29,017,396</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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from fees	7,110,661
Paid for salaries & benefits	(180,064)
Paid for Board compensation	(21,100)
Paid to suppliers	<u>(646,315)</u>
Net Cash Provided by Operating Activities	6,263,183
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of fixed assets	(28,205)
Interest Expense	(1,080,978)
Debt payments	<u>(8,924,579)</u>
Net Cash Provided by Capital Financing Activities	(10,033,761)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interest income	37,535
CASH FLOWS FROM INVESTING ACTIVITIES	
Certificates of deposit and savings account	(12,478)
Investment in securities	<u>(2,000,000)</u>
Net Cash provided by Investing Activities	(2,012,478)
NET INCREASE (DECREASE) IN CASH	(5,745,521)
CASH - Beginning of year	<u>6,738,414</u>
CASH - End of year	<u>992,893</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	5,669,960
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	642,504
Changes in Assets & Liabilities	
Accounts receivable	(3,068)
Prepaid leases	2,333
Accounts payable	(53,612)
Payroll liabilities	<u>5,067</u>
Total Adjustments	<u>593,223</u>
Net Cash Provided by Operating Activities	<u>6,263,183</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, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2014
(continued)

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

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

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

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

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

Net Position - represents the difference between assets and liabilities. Net position 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 position amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when the limitations imposed on their use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

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

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2014
(continued)

(2) CASH DEPOSITS AND CASH EQUIVALENTS

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

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

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

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

	<u>Bank Balance</u>	<u>Carrying Balance</u>
On hand		41
Insured (FDIC)	1,135,684	1,138,684
Uninsured: Collateral held by District's agent in agent's name	<u>2,036,141</u>	<u>1,989,448</u>
Total Cash	3,171,825	3,128,173
Shown as certificates of deposit		<u>(2,135,280)</u>
Shown as cash & cash equivalents		<u>992,893</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, 2014.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2014
(continued)

(4) CAPITAL ASSETS

A summary of changes to capital assets for 2014 follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Pipeline	17,657,828	28,205	-0-	17,686,033
Long Term Lease	5,000,000	-0-	-0-	5,000,000
Water Rights	54,392,467	-0-	-0-	54,392,467
Easements	263,114	-0-	-0-	263,114
Loan Origination Fees	589,979	-0-	-0-	589,979
Equipment	6,489	-0-	-0-	6,489
Automobile	<u>33,840</u>	<u>-0-</u>	<u>-0-</u>	<u>33,840</u>
Total	77,943,717	28,205	-0-	77,969,922
Accumulated Depreciation	<u>1,305,973</u>	<u>642,504</u>	<u>-0-</u>	<u>1,948,477</u>
Net Capital Assets	<u>76,637,744</u>	<u>(614,299)</u>	<u>-0-</u>	<u>76,023,445</u>

(5) LONG-TERM DEBT

Changes in Long-Term Debt

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31</u>
EQIP contracts	164,018	-0-	106,298	57,720
CREP contracts	3,378,233	-0-	142,732	3,235,501
Leases payable	79,842	-0-	50,429	29,413
Pipeline Loan	<u>57,073,547</u>	<u>-0-</u>	<u>8,626,119</u>	<u>48,447,428</u>
Total	60,695,640	-0-	8,925,578	51,770,062

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:

These were all paid off in 2014.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2014
(continued)

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>
2015	134,955
2016	1,149,967
2017	221,044
2018	139,288
2019	142,732
2020-2024	1,413,156
2025-2028	<u>34,360</u>
Total	3,235,502

During 2013, the District entered into leases with the landowners. These leases are for 3 years. The following information summarizes the annual amounts due for the leases.

Due in <u>Year</u>	<u>Amount</u>
2015	29,412

Beginning in 2009, the District began entering into Agriculture Water Enhancement Program (AWEP) contracts with landowners. Payments for these contracts are disbursed over 9 years. The following information summarizes the annual payments due on the outstanding AWEP contract obligations:

Due in <u>Year</u>	<u>Amount</u>
2015	28,860
2016	<u>28,860</u>
Total	57,720

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2014
(continued)

In 2008, the District entered into a loan agreement with Colorado Water Conservation Board for the construction of the Republican River Compact Compliance Pipeline Project which includes the purchase of water rights, with a total possible loan amount of \$60,600,000 which includes a 1% loan service fee, with interest at 2.00% for 20 years. The loan payments are \$3,706,097 per year. The first payment was made in December 2012. 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. Following is a schedule of payments;

Due in <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	2,737,129	968,969	3,706,098
2016	2,791,871	914,226	3,706,097
2017	2,847,709	858,389	3,706,098
2018	2,904,663	801,435	3,706,098
2019	2,962,756	743,341	3,706,097
2020-2024	15,726,667	2,803,818	18,530,485
2025-2029	17,363,511	1,166,974	18,530,485
2030	<u>1,114,121</u>	<u>22,282</u>	<u>1,136,403</u>
Total;	48,448,427	8,279,434	56,727,861

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2014
(continued)

Total long-term commitments

<u>Due in Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2015	2,930,356	968,969	3,899,325
2016	3,970,698	914,226	4,884,924
2017	3,068,752	858,389	3,927,141
2018	3,043,951	801,434	3,845,385
2019	3,105,488	743,341	3,848,829
2020-2024	17,139,823	2,803,818	19,943,641
2025-2029	17,397,871	1,166,974	18,564,845
2030	<u>1,114,122</u>	<u>22,282</u>	<u>1,136,404</u>
Total	51,771,061	8,279,433	60,050,494

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

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

Operating Revenues - GAAP basis	7,418,600
Non-Operating Revenues (Expenses) - GAAP basis	<u>39,183</u>
Total Revenues - GAAP basis	7,457,783
Total Expenditures- GAAP basis	1,748,640
Interest Expense	<u>1,023,318</u>
Total Expenses - Budgetary Basis	2,771,958

(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, 2014
(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, 2014 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, 2014 expenditures did not exceed the budgeted amount.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2014
(continued)

10. Defined Benefit Pension Plan

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

Funding Policy - Plan members and the District are required to contribute to the CSSDTF at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the District is 13.7%. Also, a portion of the District's contribution (1.10% of covered salary) is allocated for the Health Care Trust Fund (see note 11). The District's contributions to CSSDTF for the year ending June 30, 2012, 2013, and 2014 were \$18,924, \$20,336, and \$23,180, respectively.

11. Postemployment Healthcare Benefits

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

Funding Policy - The District is required to contribute at a rate of 1.10% for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's contributions to the HCF for the years ended June 30, 2012, 2013, and 2014 were \$1,017, \$1,507, and \$1,579 respectively.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenues, Expenditures and Changes in Retained Earnings -
Budget to Actual - Budgetary Basis
For the Year Ended December 31, 2014

	Original	Final		Variance
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
REVENUES				
Irrigation Assessment Fees	7,069,158	7,069,158	7,041,062	(28,096)
Commercial & Municipal Well Assessments	119,000	119,000	123,913	4,913
Surface Evaporative Loss Fees	0	0	658	658
Conservation & Water Lease	0	0	274,659	274,659
Investment Gain	0	0	1,648	0
Interest Income	<u>15,825</u>	<u>15,825</u>	<u>15,843</u>	<u>18</u>
Total Revenues	7,203,983	7,203,983	7,457,782	252,152
EXPENDITURES				
Salaries & Wages	109,080	109,080	107,557	1,523
Employee Benefits	45,052	45,052	41,578	3,474
Board and Director Expenses	57,995	57,995	57,095	900
Office	20,983	20,983	21,571	(587)
Engineering Fees	100,000	100,000	43,780	56,220
Legal Fees	300,000	300,000	187,705	112,295
Accounting & Auditing	26,000	26,000	23,146	2,854
Lobbyist Fees	44,000	44,000	50,138	(6,138)
Other Professional Fees	15,600	15,600	26,159	(10,559)
EQIP Contracts	10,140	10,140	(268,303)	278,443
CREP/AWEP Contracts	238,890	238,890	238,890	0
Land & Water Expenses	11,000	11,000	11,456	(456)
Leases	29,413	29,413	29,413	0
Interest	1,124,327	1,124,327	1,023,318	101,008
Operating Expenses	191,605	191,605	328,736	(137,131)
County Treasurer's Fees	211,424	211,424	207,215	4,209
Depreciation	<u>279,499</u>	<u>279,499</u>	<u>642,504</u>	<u>(363,005)</u>
Total Expenses	<u>2,815,007</u>	<u>2,815,007</u>	<u>2,771,958</u>	<u>43,049</u>
Revenues over (under) Expenses	4,388,976	4,388,976	4,685,824	295,201
Beginning Retained Earnings	<u>8,861,000</u>	<u>8,861,000</u>	<u>24,331,571</u>	<u>15,470,571</u>
Ending Retained Earnings	<u>13,249,976</u>	<u>13,249,976</u>	<u>29,017,396</u>	<u>15,765,773</u>