

**REPUBLICAN RIVER  
WATER CONSERVATION DISTRICT**

Financial Statements

For the Year Ended December 31, 2013



**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Table of Contents**  
**December 31, 2013**

	<u>Page</u>
<b>Independent Auditor's Report -----</b>	<b>1</b>
<b>Management Discussion and Analysis -----</b>	<b>a-e</b>
<b><u>Basic Financial Statements</u></b>	
<b>Statement of Net Position -----</b>	<b>2</b>
<b>Statement of Revenues, Expenses, and Changes in Net Position -----</b>	<b>3</b>
<b>Statement of Cash Flows -----</b>	<b>4</b>
<b>Notes to the Financial Statements -----</b>	<b>5-13</b>
 <b><u>Required Supplementary Information</u></b>	
<b>Statement of Revenues, Expenditures, and Changes in Retained Earnings</b> <b>- Budget to Actual - Budgetary Basis -----</b>	 <b>14</b>

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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, 2013, 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, 2013, 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

June 30, 2014

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2013**

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, 2013. Please read it in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

The District's net assets increased by \$5,165,313. 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, 2013**

**NET ASSETS**

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

**Condensed Balance Sheet**

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>
Current Assets	8,861,262	11,290,276	(2,429,014)
Capital Assets	<u>76,637,744</u>	<u>76,618,136</u>	<u>19,608</u>
Total Assets	85,499,006	87,908,412	(2,409,406)
Current Liabilities	3,335,881	4,376,679	(1,040,798)
Long-term Liabilities	<u>57,831,554</u>	<u>64,365,474</u>	<u>(6,533,920)</u>
Total Liabilities	61,167,435	68,742,153	(7,574,718)
Invested in Capital Assets	19,564,198	13,044,995	6,519,203
Restricted for TABOR	98,181	98,181	0
Restricted for debt service	741,220	370,610	370,610
Non-restricted	<u>3,927,972</u>	<u>5,652,473</u>	<u>(1,724,501)</u>
Total Net Assets	<u>24,331,571</u>	<u>19,166,259</u>	<u>5,165,312</u>

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2013**

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>2013</u>	<u>2012</u>	<u>\$ Change</u>
Operating Revenue	7,899,955	7,850,677	49,278
Non-Operating Revenue	49,117	58,243	(9,126)
Total Revenues	<u>7,949,072</u>	<u>7,908,920</u>	40,152
Depreciation & Amortization	322,730	266,394	56,336
Other Operating Expenses	598,580	461,034	137,546
G & A Expenses	667,110	575,738	91,372
Non-Operating Expenses	<u>1,195,340</u>	<u>1,240,165</u>	(44,825)
Total Expenses	<u>2,783,760</u>	<u>2,543,331</u>	240,429
Change in Net Assets	5,165,312	5,365,589	(200,277)
Prior Year Adjustment		(481,470)	481,470
Beginning Net Assets	<u>19,166,259</u>	<u>14,282,140</u>	4,884,119
Ending Net Assets	<u><u>24,331,571</u></u>	<u><u>19,166,259</u></u>	<u><u>5,165,312</u></u>

**BUDGETARY HIGHLIGHTS**

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

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2013**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2013, the District had invested \$77,943,718 in capital assets.

	<u>12/31/13</u>	<u>12/31/12</u>
Pipeline	17,657,829	17,327,491
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	251,114
Loan Origination Fees	<u>589,979</u>	<u>634,979</u>
Total	<u>77,943,718</u>	<u>77,646,380</u>
Less accumulated depreciation	<u>(1,305,973)</u>	<u>(1,028,243)</u>
Total	<u>76,637,745</u>	<u>76,618,137</u>

**Long-Term Debt**

In 2013 the Long Term Lease Loan was paid off and payments began on the Pipeline Loan. See note 5 to the financial statements for further information.

	<u>12/31/13</u>	<u>12/31/12</u>
CREP & EQIP Contracts	3,601,077	3,920,295
Long Term Lease Loan	0	3,985,255
Pipeline Loan	57,073,546	59,587,886
Leases Payable	<u>21,017</u>	<u>21,017</u>
Total	60,695,640	67,514,453

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2013**

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

The District's Board of Directors and management consider many factors when setting the 2014 budget, including user fees and charges. The following table presents the changes in the District's budget from 2013 to 2014.

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>
Operating Revenue	7,166,466	7,400,108	(233,642)
Non-Operating Revenue	50,000	50,000	0
Beginning Balance	<u>5,950,267</u>	<u>10,261,148</u>	<u>(4,310,881)</u>
Total Revenue	13,166,733	17,711,256	(4,544,523)
Other Operating Expense	991,044	1,567,432	(576,388)
G & A Expense	749,124	710,667	38,457
Capital Outlay	8,594,039	10,412,367	(1,818,328)
Non-Operating Expense	<u>1,081,471</u>	<u>1,301,668</u>	<u>(220,197)</u>
Total Expense	<u>11,415,678</u>	<u>13,992,134</u>	<u>(2,576,456)</u>
Ending Net Assets	<u>1,751,055</u>	<u>3,719,122</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.



**BASIC FINANCIAL STATEMENTS**

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Statement of Net Position**  
**December 31, 2013**

<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	6,738,414	
Certificates of deposit	2,122,802	
Accounts receivable	<u>46</u>	
<b>Total Current Assets</b>		<b>8,861,263</b>
<b>Capital Assets</b>		
Water Rights	54,392,467	
Easements	263,114	
Prepaid Long Term Leases	5,000,000	
Loan Origination Fees	589,979	
Pipeline	17,657,829	
Equipment & Vehicle	40,329	
Less: Accumulated depreciation/amortization	<u>(1,305,973)</u>	
<b>Net Capital Assets</b>		<b><u>76,637,744</u></b>
<b>TOTAL ASSETS</b>		<b>85,499,006</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	90,262	
Accrued interest	381,533	
Current portion of long-term	<u>2,864,086</u>	
<b>Total Current Liabilities</b>		<b>3,335,881</b>
<b>Long-Term Liabilities</b>		
CREP contracts	3,264,914	
EQIP contracts - well retirement	57,720	
Loans payable	<u>54,508,920</u>	
<b>Total Long-Term Liabilities</b>		<b><u>57,831,554</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>61,167,435</u></b>
<b>Net Position</b>		
Investment in capital assets	19,564,197	
Restricted for TABOR	98,181	
Restricted for debt service	741,220	
Unrestricted	<u>3,927,973</u>	
<b>TOTAL NET POSITION</b>		<b><u>24,331,571</u></b>

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, 2013**

<b>OPERATING REVENUES</b>		
Irrigation assessment fees	7,044,969	
Commercial & Municipal well assessment	131,758	
Surface evaporative water loss	26,429	
Water & property leases	<u>696,800</u>	
<b>Total Operating Revenues</b>		<b>7,899,956</b>
<b>OPERATING EXPENSES</b>		
County Treasurer fees	208,155	
EQIP & CREP contracts	202,600	
Telephone	4,381	
Travel expenses	16,143	
Vehicle expenses	695	
Pipeline	15,243	
Depreciation	322,730	
CIG grants & conservation	<u>15,545</u>	
<b>Total Operating Expenses</b>		<b>785,490</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>		
Salaries & wages	101,000	
Employee benefits	40,662	
Office expenses	16,631	
Bad debts	135,820	
Accounting & audit fees	17,481	
Consulting	12,286	
Engineering fees	47,527	
Legal fees	306,993	
Lobbyist fees	44,514	
Other professional fees	507	
Insurance	7,042	
Directors expenses	<u>72,466</u>	
<b>Total General &amp; Administrative Expenses</b>		<b><u>802,929</u></b>
<b>TOTAL EXPENSES</b>		<b><u>1,588,420</u></b>
<b>OPERATING INCOME</b>		<b>6,311,536</b>
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	24,879	
Interest expense	(1,195,340)	
Interest on fees	<u>24,237</u>	
<b>Total Other Income</b>		<b><u>(1,146,223)</u></b>
<b>CHANGE IN NET POSITION</b>		<b>5,165,313</b>
<b>NET POSITION - Beginning</b>		<b><u>19,166,259</u></b>
<b>NET POSITION - Ending</b>		<b><u>24,331,571</u></b>

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, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from fees	6,972,741
Paid for salaries & benefits	(181,177)
Paid for Board compensation	(19,400)
Paid to well owners	(128,467)
Paid to suppliers	<u>(574,780)</u>
Net Cash Provided by Operating Activities	6,068,916
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Acquisition of fixed assets	(330,337)
Acquisition of easements	(12,000)
Interest Expense	(1,272,336)
Debt payments	<u>(6,818,812)</u>
Net Cash Provided by Capital Financing Activities	(8,433,486)
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Interest income	49,117
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Certificates of deposit and savings account	<u>(16,332)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,331,785)</b>
<b>CASH - Beginning of year</b>	<b><u>9,070,200</u></b>
<b>CASH - End of year</b>	<b><u>6,738,414</u></b>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	6,311,536
 <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Depreciation	322,730
Changes in Assets & Liabilities	
Accounts receivable	113,560
Prepaid leases	(696,800)
Accounts payable	21,405
Payroll liabilities	<u>(3,515)</u>
Total Adjustments	<u>(242,620)</u>
Net Cash Provided by Operating Activities	<u>6,068,916</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, 2013**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2013  
(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 10<sup>th</sup> 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, 2013  
(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		51
Insured (FDIC)	1,141,923	1,141,923
Uninsured: Collateral held by District's agent in agent's name	<u>7,746,538</u>	<u>7,719,242</u>
Total Cash	8,888,461	8,861,216
Shown as certificates of deposit		<u>(2,122,802)</u>
Shown as cash & cash equivalents		<u>6,738,414</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, 2013.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2013  
(continued)

## (4) CAPITAL ASSETS

A summary of changes to capital assets for 2013 follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Pipeline	17,327,491	330,337	-0-	17,657,828
Long Term Lease	5,000,000	-0-	-0-	5,000,000
Water Rights	54,392,467	-0-	-0-	54,392,467
Easements	251,114	12,000	-0-	263,114
Loan Origination Fees	634,979	-0-	45,000	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	77,646,380	342,337	45,000	77,943,717
Accumulated Depreciation	<u>1,028,243</u>	<u>322,730</u>	<u>45,000</u>	<u>1,305,973</u>
Net Capital Assets	<u>76,618,137</u>	<u>19,607</u>	<u>-0-</u>	<u>76,637,744</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	449,403	-0-	285,384	164,018
CREP contracts	3,470,892	40,800	133,459	3,378,233
Leases payable	21,017	88,238	29,413	79,842
Water Rights	3,985,255	-0-	3,985,255	-0-
Pipeline Loan	<u>59,587,886</u>	<u>-0-</u>	<u>2,514,339</u>	<u>57,073,547</u>
Total	67,514,453	129,038	6,947,850	60,695,640

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:

<u>Due in</u> <u>Year</u>	<u>Amount</u>
2014	10,140

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2013**  
(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>
2014	142,732
2015	134,955
2016	1,149,967
2017	221,044
2018	139,288
2019-2023	1,544,244
2024-2028	<u>46,003</u>
Total	3,378,233

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>
2014	50,429
2015	<u>29,412</u>
Total	79,841

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>
2014	96,158
2015	28,860
2016	<u>28,860</u>
Total	153,878

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2013**  
**(continued)**

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.

This note was paid off in 2013.

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>
2014	2,564,626	1,141,471	3,706,097
2015	2,615,919	1,090,178	3,706,097
2016	2,668,237	1,037,860	3,706,097
2017	2,721,602	984,495	3,706,097
2018	2,776,034	930,063	3,706,097
2019-2023	14,735,524	3,794,962	18,530,486
2024-2028	16,269,209	2,261,277	18,530,486
2029-2032	<u>12,722,396</u>	<u>598,044</u>	<u>13,320,440</u>
Total;	57,073,547	11,838,350	68,911,897

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2013  
(continued)

Total long-term commitments

<u>Due in</u> <u>Year</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u>
2014	2,864,086	1,141,471	4,005,557
2015	2,809,146	1,090,179	3,899,325
2016	3,847,064	1,037,860	4,884,924
2017	2,942,646	984,495	3,927,141
2018	2,915,322	930,063	3,845,385
2019-2023	16,279,768	3,794,962	20,074,730
2024-2028	16,315,212	2,261,277	18,576,489
2029-2032	<u>12,722,397</u>	<u>598,043</u>	<u>13,320,440</u>
Total	60,695,640	11,838,350	72,533,990

(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	7,899,956
Non-Operating Revenues (Expenses) - GAAP basis	<u>49,117</u>
Total Revenues - GAAP basis	7,949,073
Total Expenditures- GAAP basis	1,588,420
Interest Expense	1,195,340
Debt Service	6,818,812
Capital Outlay	342,337
Less Depreciation	<u>(322,730)</u>
Total Expenses - Budgetary Basis	9,622,179

(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, 2013  
(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, 2013 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, 2013 expenditures did not exceed the budgeted amount.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2013  
(continued)

D. Defined Benefit Pension Plan

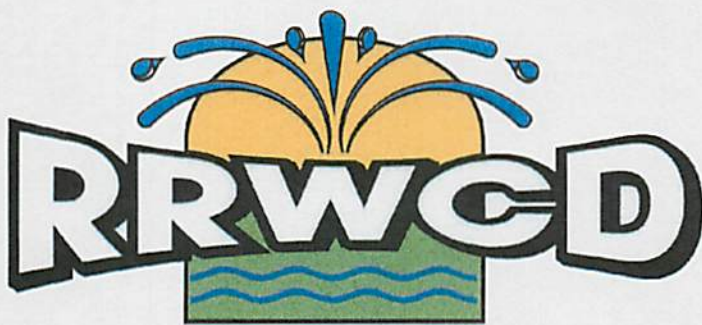
**Plan Description** - The District contributes to the Combined State and School Division Trust Fund (CSSDTF), a cost sharing multi-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). CSSDTF provides retirement and disability, annual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

**Funding Policy** - Plan members and the District are required to contribute to the CSSDTF at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8% and for the District is 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 E). The District's contributions to CSSDTF for the year ending June 30, 2011, 2012, and 2013 were \$31,681, \$18,924, and \$20,336, respectively.

E. Postemployment Healthcare Benefits

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

**Funding Policy** - The District is required to contribute at a rate of 1.10% for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's contributions to the HCF for the years ended June 30, 2011, 2012, and 2013 were \$1,035, \$1,017, and \$1,507 respectively.



**REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2013**

	Original	Final	Actual	Variance
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>				
Irrigation Assessment Fees	7,089,426	7,089,426	7,069,206	(20,220)
Commercial & Municipal Well Assessments	127,000	127,000	131,758	4,758
Surface Evaporative Loss Fees	0	0	26,429	26,429
Water Lease	208,108	208,108	696,800	488,692
Interest Income	<u>23,115</u>	<u>23,115</u>	<u>24,879</u>	<u>1,764</u>
<b>Total Revenues</b>	<b>7,447,649</b>	<b>7,447,649</b>	<b>7,949,072</b>	<b>501,423</b>
<b>EXPENDITURES</b>				
Salaries & Wages	97,125	97,125	101,000	(3,875)
Employee Benefits	41,767	41,767	40,662	1,105
Bad Debts	0	0	135,820	(135,820)
Board and Director Expenses	56,000	56,000	55,400	600
Office	18,492	18,492	16,631	1,861
Engineering Fees	100,000	100,000	47,527	52,473
Legal Fees	270,000	270,000	306,993	(36,993)
Accounting & Auditing	30,000	30,000	17,481	12,519
Lobbyist Fees	44,500	44,500	44,514	(14)
Other Professional Fees	20,614	20,614	12,793	7,822
EQIP Contracts	128,762	128,762	(165,737)	294,498
CREP/AWEP Contracts	329,511	329,511	309,511	20,000
Leases	968,230	968,230	58,825	909,405
Interest	1,301,668	1,301,668	1,195,340	106,328
Operating Expenses	73,400	73,400	76,113	(2,713)
County Treasurer's Fees	211,950	211,950	208,155	3,795
Depreciation	<u>65,499</u>	<u>65,499</u>	<u>322,730</u>	<u>(257,231)</u>
<b>Total Expenses</b>	<b><u>3,757,518</u></b>	<b><u>3,757,518</u></b>	<b><u>2,783,759</u></b>	<b><u>973,758</u></b>
Revenues over (under) Expenses	3,690,131	3,690,131	5,165,313	1,475,182
Beginning Retained Earnings	<u>10,260,148</u>	<u>10,260,148</u>	<u>19,166,259</u>	<u>8,906,111</u>
Ending Retained Earnings	<u>13,950,279</u>	<u>13,950,279</u>	<u>24,331,571</u>	<u>10,381,292</u>