

**REPUBLICAN RIVER  
WATER CONSERVATION DISTRICT**

Financial Statements

For the Year Ended December 31, 2018





REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
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December 31, 2018

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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, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows, and the related notes to the financial statement 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, 2018, 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.

## **Emphasis of Matter**

As discussed in Note 10 to the financial statements, during the current year, the District adopted Governmental Accounting Standards Board No. 68, Accounting and Financial Reporting for Pensions Plan - an amendment to GASB No. 27. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension information on pages a-e and 24 through 28 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. 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.

*Winfrey, County & Hays, PC*

WINFREY, COUNTY & HAYS, PC  
Certified Public Accountants

July 15, 2019

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2018**

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, 2018. Please read it in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

The District's net position increased by \$4,149,325. Cash increased \$1,817,702 due predominately to the sale of property after retiring the water and the rest of the increase is a variety of small items.

**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 position of the District and the related changes in these assets. The District's net position (the difference between assets and liabilities) is one way to measure financial health or financial position. Over time, increases in the District's net position is 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, 2018  
(continued)**

**NET POSITION**

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

<b>Condensed Balance Sheet</b>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current Assets	10,435,749	7,558,570	2,877,179
Prepaid Long Term Lease	2,250,000	2,500,000	(250,000)
Capital Assets	<u>73,149,976</u>	<u>74,574,344</u>	<u>(1,424,368)</u>
Total Assets	85,835,724	84,632,914	1,202,811
 Deferred Outflows	 62,716	 105,516	 (42,799)
Current Liabilities	3,706,800	3,655,878	50,921
Long-term Liabilities	<u>36,533,549</u>	<u>39,609,697</u>	<u>(3,076,147)</u>
Total Liabilities	40,240,349	43,265,575	(3,025,226)
 Deferred Inflows of Resources	 68,628	 32,716	 35,912
Invested in Capital Assets	35,982,920	34,502,625	1,480,295
Restricted for TABOR	-	98,181	(98,181)
Restricted for Debt Service	2,594,268	2,223,658	370,610
Non-Restricted	<u>7,012,276</u>	<u>4,615,675</u>	<u>2,396,602</u>
Total Net Position	<u>45,589,464</u>	<u>41,440,139</u>	<u>4,149,325</u>

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2018  
(continued)**

While the Balance Sheet shows the net position, the Statement of Activities provides answers as to the nature and source of these changes.

<b>Condensed Statement of Activities</b>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Operating Revenue	7,223,303	7,276,786	(53,483)
Non-Operating Revenue	<u>61,481</u>	<u>68,163</u>	<u>(6,682)</u>
<b>Total Revenue</b>	<b>7,284,784</b>	<b>7,344,949</b>	<b>(60,165)</b>
Depreciation & Amortization	646,192	642,604	3,588
Other Operating Expenses	1,066,844	768,430	298,413
General & Administrative Expenses	614,646	558,450	56,196
Non-Operating Expenses	<u>782,017</u>	<u>837,444</u>	<u>(55,427)</u>
<b>Total Expenses</b>	<b>3,109,699</b>	<b>2,806,928</b>	<b>302,770</b>
Change in Net Position	4,175,085	4,538,020	(362,935)
Beginning Net Position	41,440,139	36,877,396	4,562,743
Prior Year Adjustment	<u>(25,760)</u>	<u>24,723</u>	<u>(50,483)</u>
Ending Net Position	<u><u>45,589,464</u></u>	<u><u>41,440,139</u></u>	<u><u>4,149,325</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, 2018  
(continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2018, the District had invested \$80,143,124 in capital assets.

	<u>12/31/18</u>	<u>12/31/17</u>
Pipeline	17,686,033	17,686,033
Vehicles & Equipment	74,796	74,796
Water Rights	56,529,201	56,529,201
Easements	263,114	263,114
Assets Held for Resale	-	1,028,176
Loan Origination Fees	<u>589,979</u>	<u>589,979</u>
Total	75,143,124	76,171,300
Less accumulated depreciation	<u>(1,993,148)</u>	<u>(1,596,956)</u>
Total	<u>73,149,976</u>	<u>74,574,344</u>

**Long-Term Debt**

In 2018 \$2,904,663 principal payments were made on the Pipeline Loan. See note 5 to the financial statements for further information.

	<u>12/31/18</u>	<u>12/31/17</u>
CREP Contracts	1,751,946	1,866,421
OAI Contracts	243,147	276,960
Pipeline Loan	37,167,056	40,071,719
Lease Payable	294,125	323,538
Net Pension Liability	<u>330,502</u>	<u>375,458</u>
Total	39,786,775	42,914,095

**LONG TERM LEASE**

In 2008, the District entered into a prepaid 20 year lease for water rights in the amount of \$5,000,000. This lease is being amortized over that 20 year period at the rate of \$250,000 per year.

	<u>12/31/18</u>	<u>12/31/17</u>
Lease	5,000,000	5,000,000
Less Accumulated Amortization	<u>(2,500,000)</u>	<u>(2,250,000)</u>
Net	2,500,000	2,750,000

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2018  
(continued)**

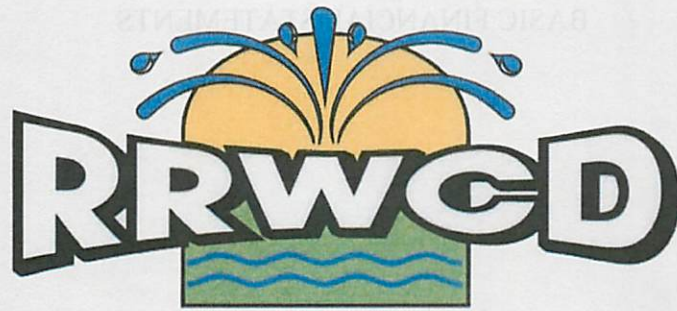
**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES**

The District's Board of Directors and management consider many factors when setting the 2019 budget, including user fees and charges. The following table presents the changes in the District's budget from 2018 to 2019.

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Operating Revenue	7,353,788	7,284,288	69,500
Non-Operating Revenue	48,600	51,000	(2,400)
Beginning Balances	<u>9,889,055</u>	<u>6,894,224</u>	<u>2,994,831</u>
Total Revenue	17,291,443	14,229,512	3,061,931
Other Operating Expense	2,393,555	684,647	1,708,908
General & Administrative Expenses	787,343	724,446	62,897
Capital Outlay	9,422,756	8,614,663	808,093
Non-Operating Expense	<u>743,341</u>	<u>801,434</u>	<u>(58,093)</u>
Total Expense	13,346,995	11,988,336	1,358,659
Ending Net Position	<u><u>3,944,448</u></u>	<u><u>2,241,176</u></u>	<u><u>1,703,272</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 Position  
December 31, 2018

<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	4,773,406	
Certificates of deposit	3,289,086	
FFEC/Southwest Securities	2,081,455	
Accounts receivable	11,855	
Prepaid expenses	29,947	
Prepaid leases	<u>250,000</u>	
Total Current Assets		10,435,749
Prepaid Long Term Leases		2,250,000
Capital Assets		
Water Rights	56,529,201	
Easements	263,114	
Loan Origination Fees	589,979	
Pipeline	17,686,033	
Equipment & Vehicle	74,796	
Less: Accumulated depreciation/amortization	<u>(1,993,148)</u>	
Net Capital Assets		<u>73,149,976</u>
<b>TOTAL ASSETS</b>		<b>85,835,724</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
		62,716
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Accounts payable	175,139	
Accrued interest	248,459	
Current portion of long-term	<u>3,283,202</u>	
Total Current Liabilities		3,706,800
Long-Term Liabilities		
CREP contracts	1,871,438	
OAI 16, OAI 17 and OAI 18	97,333	
Loans payable	34,204,300	
Net Health Care Trust Fund Liability	29,976	
Net Pension Liability	<u>330,502</u>	
Total Long-Term Liabilities		<u>36,533,549</u>
<b>TOTAL LIABILITIES</b>		<b>40,240,349</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
		68,628
<b>NET POSITION</b>		
Investment in capital assets	35,982,920	
Restricted for Debt Service	2,594,268	
Unrestricted	<u>7,012,276</u>	
<b>TOTAL NET POSITION</b>		<b><u>45,589,464</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, 2018

<b>OPERATING REVENUES</b>		
Irrigation assessment fees	6,925,816	
Commercial & Municipal well assessment	105,361	
Surface evaporative water loss	658	
Water & property leases	<u>191,468</u>	
<b>Total Operating Revenues</b>		<b>7,223,303</b>
 <b>OPERATING EXPENSES</b>		
County Treasurer fees	203,780	
Telephone	4,336	
Travel expenses	15,639	
Vehicle expenses	(2,316)	
Pipeline	474,622	
CIG grants & conservation	30,000	
Land & Water expenses	14,914	
Contracts paid	325,868	
Amortization of water rights lease	250,000	
Depreciation	<u>396,192</u>	
<b>Total Operating Expenses</b>		<b>1,713,036</b>
 <b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>		
Salaries & wages	134,300	
Employee benefits	67,334	
Office expenses	31,438	
Accounting & audit fees	20,426	
Consulting	24,990	
Engineering fees	62,678	
Legal fees	140,806	
Lobbyist fees	54,137	
Other professional fees	32	
Insurance	29,210	
Directors expenses	<u>49,296</u>	
<b>Total General &amp; Administrative Expenses</b>		<b><u>614,646</u></b>
 <b>TOTAL EXPENSES</b>		 <b><u>2,327,682</u></b>
 <b>OPERATING INCOME</b>		 <b>4,895,621</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, 2018  
(continued)

OTHER INCOME (EXPENSE)	
Interest income	61,214
Interest expense	(782,017)
Investment Gain/Loss	33,118
Gain on Sale of Assets	(52,218)
Interest on fees	<u>19,366</u>
Total Other Income	<u>(720,536)</u>
CHANGE IN NET POSITION	4,175,085
NET POSITION - Beginning	41,440,139
Prior Year Adjustment (Note 10)	<u>(25,760)</u>
NET POSITION - Ending	<u>45,589,464</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, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Fees	7,104,214
Paid for Salaries & Benefits	(196,721)
Paid for Board Compensation	(9,371)
Paid to Well Owners	(472,657)
Paid to Suppliers	<u>(818,989)</u>
Net Cash Provided by Operating Activities	5,606,476
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	48,957
Assets Held for Sale	975,958
Purchase of Certificates of Deposits	<u>(1,078,179)</u>
Net Cash Used by Investing Activities	(53,264)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Interest Expense on Debt	(801,434)
Debt Payments	<u>(2,934,075)</u>
Net Cash Used by Financing Activities	(3,735,510)
<b>NET INCREASE (DECREASE) IN CASH</b>	1,817,702
CASH - Beginning of Year	<u>2,955,704</u>
CASH - End of Year	<u>4,773,406</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	4,895,621
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Depreciation & Amortization	646,192
Change in Contracts	(148,289)
GASB Accrual Adjustments	37,971
Changes in Assets & Liabilities	
Accounts Receivable	84,691
Prepaid Expenses	(1,246)
Accounts Payable	<u>91,536</u>
Total Adjustments	<u>710,854</u>
Net Cash Provided by Operating Activities	<u>5,606,476</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, 2018**

**(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.

**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 cash basis of accounting. This basis of accounting records transactions based upon the receipt of payment of funds. Revenues are recognized when funds are received, and expenditures are recognized when paid.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2018  
(continued)

**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 positions are reported as unrestricted.

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

(2) **DEPOSITS AND INVESTMENTS**

**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.

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

	<u>Bank Balance</u>	<u>Carrying Balance</u>
On Hand		23
Insured (FDIC)	1,397,719	1,397,719
Uninsured: Collateral Held by District's Agent in Agent's Name	<u>6,724,069</u>	<u>6,664,750</u>
Total Cash	8,121,788	8,062,491
Shown as Certificates of Deposits		<u>(3,289,086)</u>
Shown as Cash & Cash Equivalents		4,773,406

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**  
**(continued)**

Investments - Colorado statutes specify in which instruments a local government may invest, which include:  
 (1) Obligations of the United States and certain U.S. agency securities, (2) Certain international agency securities,  
 (3) General obligation and revenue bonds of U.S. local government entities, (4), Bankers' acceptances of certain  
 banks, (5) Commercial paper, (6) Local government investment pool, (7) Written repurchase agreements  
 collateralized by certain authorized securities, (8) Certain money market funds, and (9) Guaranteed investment  
 contracts.

At December 31, 2018, the District had the following investments and maturities

<u>Investments</u>	<u>S&amp;P Rating</u>	<u>Fair Value</u>	<u>Less than</u> <u>One Year</u>	<u>More than</u> <u>One Year</u>
Bonds	AA+	2,073,844	-	2,073,844
Cash		7,611		

**Credit Risk** - The District is subject to Colorado statutes, which define eligible investments for local governments. Eligible investments include bonds and other interest bearing obligations of or guaranteed by the U.S. government or its agencies, bonds which are direct obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guaranteed investment contracts and local government investment pools.

**Interest Rate Risk** - As a means of limiting exposure to losses arising from changing interest rates, the District's investment policy requires all investments to mature within five years or less from the date of trade settlement.

**(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, 2018. The accounts receivable balance also includes \$10,370 in receivables that are due for a pass through activity that the District is billing out on it's behalf.

**(4) CAPITAL ASSETS**

A summary of changes to capital assets for 2018 follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Pipeline	17,686,033	-	-	17,686,033
Water Rights	56,529,201	-	-	56,529,201
Easements	263,114	-	-	263,114
Loan Origination Fees	589,979	-	-	589,979
Equipment	35,506	-	-	35,506
Assets Held for Resale	1,028,176	-	1,028,176	-
Automobile	39,290	-	-	39,290
Total	76,171,299	-	1,028,176	75,143,123
Accumulated Depreciation	1,596,956	396,192	-	1,993,148
Net Capital Assets	74,574,343			73,149,975

No capital assets have been acquired under a capital lease.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2018  
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## (5) LONG-TERM DEBT

## Changes in Long-Term Debt

	Balance			Balance
	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31</u>
CREP Contracts	1,866,422	-	114,476	1,751,946
OAI Contracts	276,960	243,147	276,960	243,147
Leases Payable	323,538	-	29,413	294,125
Pipeline Loan	40,071,718	-	2,904,662	37,167,056
Total	42,538,638	243,147	3,325,511	39,456,273

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:

<u>Due in Year</u>	<u>Amount</u>
2019	145,220
2020	134,955
2021	1,149,967
2022	144,650
2023	16,717
2024-2028	99,073
2029-2034	61,364
Total	1,751,946

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:

<u>Due in Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2,962,756	743,341	3,706,097
2020	3,022,011	684,086	3,706,097
2021	3,082,451	623,646	3,706,097
2022	3,144,100	561,997	3,706,097
2023	3,206,982	499,115	3,706,097
2024-2028	17,023,050	1,507,435	18,530,486
2029-2030	4,725,705	116,797	4,842,501
Total	37,167,056	4,736,416	41,903,472

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In 2006, the District entered into an agreement with Soehner Cattle CO to lease water rights. This agreement was then extended in 2009. In 2016 the agreement was sold by Soehner Cattle CO to Yuma County Board of County Commissioners and renewed. Payments will continue yearly until 2028. Following is a schedule of payments;

<u>Due in Year</u>	<u>Principal</u>
2019	29,413
2020	29,413
2021	29,413
2022	29,413
2023	29,413
2024-2028	<u>147,063</u>
	294,125

In 2015, the District entered into OAI 15 agreements with landowners. Payments for these contracts are disbursed over 4 years. This agreement was paid off in 2018.

In 2016, the District entered into OAI 16 agreements with landowners. Payments for these contracts are disbursed over 4 years. The following information summarizes the annual payments;

<u>Due in Year</u>	<u>Principal</u>
2019	<u>48,480</u>
Total	48,480

In 2017, the District entered into OAI 17 agreements with landowners. Payments for these contracts are disbursed over 3 years. The following information summarizes the annual payments;

<u>Due in Year</u>	<u>Principal</u>
2019	85,333
2020	<u>85,333</u>
Total	170,667

In 2018, The District entered into OAI 18 agreements with landowners. Payments for these contracts are disbursed over 3 years. The following information summarizes the annual payments;

<u>Due in Year</u>	<u>Principal</u>
2019	12,000
2020	<u>12,000</u>
Total	24,000

Total long-term commitments

<u>Due in Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	3,283,202	743,341	4,026,543
2020	3,283,712	684,086	3,967,798
2021	4,261,831	623,646	4,885,477
2022	3,318,163	561,997	3,880,159
2023	3,253,112	499,115	3,752,226
2024-2028	17,269,186	1,507,435	18,776,621
2028-2034	<u>4,787,069</u>	<u>116,797</u>	<u>4,903,865</u>
Total	39,456,273	4,736,416	44,192,690

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(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 Revenue - GAAP Basis	7,304,288
Non-Operating Revenues (Expenses) - GAAP Basis	31,000
Total Revenues - GAAP Basis	7,335,288
Total Expenditures - GAAP Basis	3,124,248
Interest Expenses	801,434
Total Expenses - Budgetary Basis	3,925,682

(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.

(9) BUDGETARY COMPLIANCE

For the year ended December 31, 2018 expenditures did not exceed the budgeted amount.

(10) PRIOR YEAR ADJUSTMENT

For the fiscal year ended December 31, 2018, the District implemented GASB 75, reporting for Other Post-Employment Benefits (OPEB) associated with the PERA Health Care Trust Fund (HCTF). As a result, a prior year adjustment was required that included the amount \$27,673 of the net HCTF liability for the District as computed by HCTF, less the amount the District submitted to HCTF of \$1,913 after HCTF's year end. The net prior year adjustment is \$25,760.

(11) DEFINED BENEFIT PENSION PLAN

**Summary of Significant Accounting Policies**

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and December 31, 2018.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
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**General Information about the Pension Plan**

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

*Benefits provided as of December 31, 2017.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
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*Contributions provisions as of The District:* Eligible employees and The District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rates
Employer contribution rate <sup>1</sup>	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%
Amount apportioned to the LGDTF <sup>1</sup>	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	1.50%
<b>Total employer contribution rate to the LGDTF<sup>1</sup></b>	<b>12.68%</b>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and The District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from The District were \$23,869 for the year ended December 31, 2018.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2018, The District reported a liability of \$330,502 for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, The District's proportion was 0.0296832445 percent, which was an increase of 0.0018786034 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, The District recognized pension expense of \$37,204. At December 31, 2018, The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	20,676	-0-
Changes of assumptions or other inputs	3,491	-0-
Net difference between projected and actual earnings on pension plan investments	-0-	64,242
Changes in proportion and differences between contributions recognized and proportionate share of contributions	10,731	3,884
Contributions subsequent to the measurement date	23,869	N/A
<b>Total</b>	<b>58,767</b>	<b>68,126</b>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
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There is \$23,869 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	5,529
2020	1,318
2021	-0-
2022	-0-
2023	-0-
Thereafter	-0-

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
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- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	526,383	330,502	167,207

*Pension plan fiduciary net position.* Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

#### **Payables to the pension plan**

#### **Changes between the measurement date of the net pension liability and December 31, 2018.**

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

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- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, in the Local Government Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2018, The District reported a liability of \$330,502 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what The District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 4,336,522

#### Other Post-Employment Benefits

##### Summary of Significant Accounting Policies

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

##### General Information about the OPEB Plan

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

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

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

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

*PERA Benefit Structure*

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$1,920 for the year ended December 31, 2018.

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

At December 31, 2018, the District reported a liability of \$29,976 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on Districts contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.0023065304 percent, which was an increase of 0.0001721527 percent from its proportion measured as of December 31, 2016.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2018  
(continued)

For the year ended December 31, 2018, the District recognized OPEB expense of \$767. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	142	-0-
Changes of assumptions or other inputs	-0-	-0-
Net difference between projected and actual earnings on OPEB plan investments	-0-	501
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,888	-0-
Contributions subsequent to the measurement date	1,920	N/A
Total	3,950	501

There is \$1,920 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2019	371
2020	371
2021	371
2022	371
2023	371
Thereafter	33

*Actuarial assumptions.* The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**  
**(continued)**

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2018  
(continued)

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

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

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**  
(continued)

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERA Care Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	29,151	29,976	30,969

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2018  
(continued)

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	33,702	29,976	26,795

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Irrigation Assessment Fees	6,916,500	6,916,500	6,925,816	9,316
Commercial & Municipal Well Assessments	114,000	114,000	105,361	(8,639)
Surface Evaporative Loss Fees	658	658	658	-
Conservation & Water Lease	253,130	253,130	191,468	(61,662)
Investment Gain	20,000	20,000	33,118	13,118
Gain on Sale of Assets	-	-	(52,218)	(52,218)
Interest Income	31,000	31,000	80,580	49,580
Total Revenues	<u>7,335,288</u>	<u>7,335,288</u>	<u>7,284,784</u>	<u>(50,504)</u>
<b>EXPENDITURES</b>				
Salaries & Wages	143,330	143,330	134,300	9,030
Employee Benefits	31,037	31,037	67,334	(36,297)
Board and Director Expenses	47,800	47,800	38,171	9,629
Office	30,480	30,480	31,438	(958)
Engineering Fees	66,000	66,000	62,678	3,323
Legal Fees	250,000	250,000	140,806	109,194
Accounting & Auditing	30,000	30,000	20,426	9,574
Lobbyist Fees	53,000	53,000	54,137	(1,137)
Other Professional Fees	33,000	33,000	25,022	7,978
EQIP Contracts	511,258	511,258	153,112	358,146
CREP/AWEP Contracts	341,844	341,844	141,844	200,001
Land & Water Expenses	59,000	59,000	14,914	44,086
Leases	29,413	29,413	29,413	-
Interest	801,434	801,434	782,017	19,417
Operating Expenses	644,400	644,400	564,116	80,284
County Treasurer's Fees	207,495	207,495	203,780	3,715
Lease of Water Rights	250,000	250,000	250,000	-
Depreciation	396,192	396,192	396,192	-
Total Expenses	<u>3,925,682</u>	<u>3,925,682</u>	<u>3,109,699</u>	<u>815,984</u>
Revenues over (under) Expenses	3,409,605	3,409,605	4,175,085	765,480
Beginning Retained Earnings	6,894,224	6,894,224	41,440,139	34,545,915
Prior Year Adjustment	-	-	(25,760)	(25,760)
Ending Retained Earnings	<u>10,303,829</u>	<u>10,303,829</u>	<u>45,589,464</u>	<u>35,285,635</u>

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

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Wray, Colorado**  
**Schedule of District's Proportionate Share of the Net Pension Liability - PERA Local Government Division Trust Fund**  
**Last 10 Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion (percentage) of the collective net pension liability	0.0296832445%	0.0278046411%	0.0278046411%	0.0343911300%	0.0325339888%	0.0278232730%
Proportionate share of the collective net pension liability	330,502	375,458	375,457	378,846	291,605	228,963
Covered payroll	188,242	159,115	168,531	195,315	178,776	148,440
Proportionate share of the net pension liability as a percentage of its covered employee payroll	175.57%	235.97%	222.78%	193.97%	163.11%	154.25%
Plan fiduciary net position of the total pension liability	79.37%	73.60%	73.60%	76.90%	80.70%	

Note 1: The amounts presented for each year were determined as of December 31.

Note 2: Information is not currently available for years prior to 2013; additional years will be displayed as they become available.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Wray, Colorado  
Schedule of Contributions and Related Ratios - PERA Local Government Division Trust Fund  
Last 10 Fiscal Years

As of June 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contributions	23,869	21,370	21,370	24,766	22,605	18,822	17,515	17,291
Contributions in relation to the statutorily required contribution	<u>23,869</u>	<u>21,370</u>	<u>21,370</u>	<u>24,766</u>	<u>22,605</u>	<u>18,822</u>	<u>17,515</u>	<u>17,291</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered-employee payroll	188,242	159,115	168,531	195,315	178,776	148,440	138,131	136,363
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.68%	12.68%	12.64%	12.68%	12.68%	12.68%

Note 1: Information above is presented as of the December 31.

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Wray, Colorado  
Schedule of District's Proportionate Share of the Other Post-Employment Benefits

	<u>2017</u>	<u>2016</u>
Proportion (percentage) of the collective net pension liability	0.0023065304%	0.0021343777%
Proportionate share of the collective net pension liability	29,976	27,673
Covered payroll	187,526	168,531
Proportionate share of the net pension liability as a percentage of its covered employee payroll	15.98%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	N/A

Note 1: The amounts presented for each year were determined as of December 31.

Note 2: Information is not currently available for years prior to 2016; additional years will be displayed as they become available

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Wray, Colorado  
Schedule of Contributions and Related Ratios-Health Care Trust Fund

As of December 31,	<u>2018</u>	<u>2017</u>
Statutorily required contributions	1,920	1,913
Contributions in relation to the statutorily required contribution	<u>1,920</u>	<u>1,913</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered-employee payroll	188,242	187,526
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

Note 1: Information above is presented as of the District's fiscal year.

Note 2: Information is not currently available for years prior to 2017; additional years will be displayed as they become available.