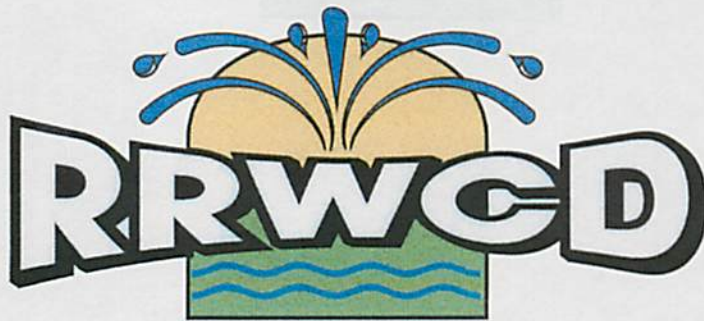
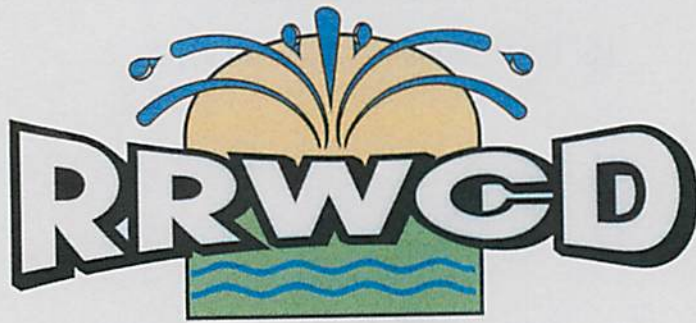


**REPUBLICAN RIVER
WATER CONSERVATION DISTRICT**

Financial Statements

For the Year Ended December 31, 2012





REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Table of Contents
December 31, 2012

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

WINFREY, COUNTY & HAYS, PC
Certified Public Accountants
593 14th Street
Burlington, Colorado 80807
Telephone No. 719-346-7216
Fax No. 719-346-8499

Noel E Winfrey, CPA

Gerald D County. CPA

Jennifer Hays. CPA

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, 2012, 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, 2012, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Republican River Water Conservation District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and the Highway Users Tax Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

WINFREY, COUNTY & HAYS, PC
Certified Public Accountants



by: Gerald County, CPA

July 2, 2013

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2012**

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, 2012. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$5,365,589. The pipeline construction is substantially complete. Minimal acres were added to retirement program contracts due to strong commodity prices which influenced farmers to keep more land in production.

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, 2012**

NET ASSETS

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

Condensed Balance Sheet

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>
Current Assets	11,290,276	11,188,967	101,309
Capital Assets	<u>76,618,136</u>	<u>67,102,648</u>	<u>9,515,488</u>
Total Assets	87,908,412	78,291,615	9,616,797
Current Liabilities	4,376,679	9,108,025	(4,731,346)
Long-term Liabilities	<u>64,365,474</u>	<u>54,901,450</u>	<u>9,464,024</u>
Total Liabilities	68,742,153	64,009,475	4,732,678
Invested in Capital Assets	13,044,995	12,758,071	286,924
Prior Year Adjustment	0	(481,470)	481,470
Restricted for TABOR	98,181	98,181	0
Restricted for debt service	370,610	0	370,610
Non-restricted	<u>5,652,473</u>	<u>1,425,888</u>	<u>4,226,585</u>
Total Net Position	<u>19,166,259</u>	<u>13,800,670</u>	<u>5,365,589</u>

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2012**

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>2012</u>	<u>2011</u>	<u>\$ Change</u>
Operating Revenue	7,850,677	7,864,095	(13,418)
Non-Operating Revenue	<u>58,243</u>	<u>83,971</u>	<u>(25,728)</u>
Total Revenues	7,908,920	7,948,066	(39,146)
Depreciation & Amortization	266,394	258,297	8,097
Other Operating Expenses	461,034	300,494	160,540
G & A Expenses	575,738	584,283	(8,545)
Non-Operating Expenses	<u>1,240,165</u>	<u>1,022,132</u>	<u>218,033</u>
Total Expenses	<u>2,543,331</u>	<u>2,165,206</u>	<u>378,125</u>
Change in Net Position	5,365,589	5,782,860	(417,271)
Prior Year Adjustment	(481,470)		
Beginning Net Position	<u>14,282,140</u>	<u>8,499,280</u>	<u>5,782,860</u>
Ending Net Position	<u><u>19,166,259</u></u>	<u><u>14,282,140</u></u>	<u><u>5,365,589</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, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the District had invested \$77,646,380 in capital assets.

	<u>12/31/12</u>	<u>12/31/11</u>
Pipeline	17,327,491	8,707,937
Equipment	6,489	6,489
Vehicles	33,840	25,600
Long Term Lease	5,000,000	5,000,000
Water Rights	54,392,467	53,861,857
Easements	251,114	235,535
Loan Origination Fees	<u>634,979</u>	<u>45,000</u>
Total	<u>77,646,380</u>	<u>67,882,417</u>
Less accumulated depreciation	<u>(1,028,243)</u>	<u>(779,769)</u>
Total	<u>76,618,137</u>	<u>67,102,648</u>

Long-Term Debt

In 2012, additional long-term loans were issued for pipeline construction. See note 5 to the financial statements for further information.

	<u>12/31/12</u>	<u>12/31/11</u>
CREP & EQIP Contracts	3,920,295	4,892,535
Long Term Lease Loan	3,985,255	4,176,004
Pipeline Loan	59,587,886	50,168,573
Leases Payable	<u>21,017</u>	<u>93,669</u>
Total	67,514,453	59,330,780

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2012**

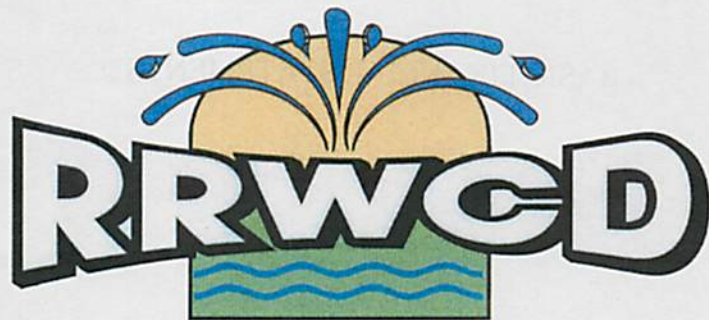
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The District's Board of Directors and management consider many factors when setting the 2013 budget, including user fees and charges. The following table presents the changes in the District's budget from 2012 to 2013.

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>
Operating Revenue	7,400,108	7,405,108	(5,000)
Non-Operating Revenue	50,000	65,000	(15,000)
Loans	0	8,712,227	(8,712,227)
Beginning Balance	<u>10,261,148</u>	<u>10,523,928</u>	<u>(262,780)</u>
Total Revenue	17,711,256	26,706,263	(8,995,007)
Other Operating Expense	1,567,432	2,064,715	(497,283)
G & A Expense	710,667	671,495	39,172
Capital Outlay	10,412,367	13,898,400	(3,486,033)
Non-Operating Expense	<u>1,301,668</u>	<u>3,593,960</u>	<u>(2,292,292)</u>
Total Expense	<u>13,992,134</u>	<u>20,228,570</u>	<u>(6,236,436)</u>
Ending Net Position	<u>3,719,122</u>	<u>6,477,693</u>	<u>(2,758,571)</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, 2012

ASSETS		
Current Assets		
Cash and cash equivalents	9,070,200	
Certificates of deposit	2,106,470	
Accounts receivable	<u>113,606</u>	
Total Current Assets		11,290,276
Capital Assets		
Water Rights	54,392,467	
Easements	251,114	
Prepaid Long Term Leases	5,000,000	
Loan Origination Fees	634,979	
Pipeline	17,327,491	
Equipment	0	
Vehicle	40,329	
Less: Accumulated depreciation/amortization	<u>(1,028,243)</u>	
Net Capital Assets		<u>76,618,137</u>
TOTAL ASSETS		87,908,412
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	68,857	
Prepaid leases	696,800	
Accrued interest	458,529	
Payroll liabilities	3,515	
Current portion of long-term	<u>3,148,979</u>	
Total Current Liabilities		4,376,679
Long-Term Liabilities		
CREP contracts	3,337,693	
EQIP contracts - well retirement	164,018	
Loans payable	<u>60,863,762</u>	
Total Long-Term Liabilities		<u>64,365,474</u>
TOTAL LIABILITIES		<u>68,742,153</u>
Net Position		
Investment in capital assets	13,044,995	
Restricted for TABOR	98,181	
Restricted for debt service	370,610	
Unrestricted	<u>5,652,473</u>	
TOTAL NET POSITION		<u>19,166,259</u>

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended December 31, 2012

OPERATING REVENUES		
Irrigation assessment fees	7,048,627	
Commercial & Municipal well assessment	112,120	
Surface evaporative water loss	352	
Water & property leases	<u>689,578</u>	
Total Operating Revenues		7,850,677
 OPERATING EXPENSES		
County Treasurer fees	211,255	
EQIP & CREP contracts	212,418	
Telephone	4,232	
Travel expenses	16,802	
Vehicle expenses	1,328	
Depreciation	266,394	
CIG grants	<u>15,000</u>	
Total Operating Expenses		727,428
 GENERAL & ADMINISTRATIVE EXPENSES		
Salaries & wages	92,500	
Employee benefits	36,872	
Office expenses	19,650	
Accounting & audit fees	31,055	
Consulting	17,967	
Engineering fees	57,295	
Legal fees	243,193	
Lobbyist fees	43,170	
Other professional fees	(45,225)	
Insurance	5,779	
Directors expenses	<u>73,482</u>	
Total General & Administrative Expenses		<u>575,738</u>
 TOTAL EXPENSES		 <u>1,303,166</u>
 OPERATING INCOME		 6,547,511
 OTHER INCOME (EXPENSE)		
Interest income	35,782	
Interest expense	(1,240,165)	
Interest on fees	<u>22,461</u>	
Total Other Income		<u>(1,181,922)</u>
 CHANGE IN NET POSITION		 5,365,589
 NET POSITION - Beginning		 14,282,140
Prior Year Adjustment		<u>(481,470)</u>
NET POSITION - Ending		<u>19,166,259</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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from fees	7,637,578
Paid for salaries & benefits	(158,662)
Paid for Board compensation	(27,300)
Paid to well owners	(194,327)
Paid to suppliers	<u>(446,415)</u>
Net Cash Provided by Operating Activities	6,810,874
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of fixed assets	(10,818,600)
Acquisition of water rights	(530,610)
Acquisition of easements	(15,579)
Acquisition of origination fees	(589,979)
Interest Expense	(3,197,360)
Debt proceeds	9,629,261
Debt payments	<u>(1,248,178)</u>
Net Cash Provided by Capital Financing Activities	(6,771,045)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interest income	58,243
CASH FLOWS FROM INVESTING ACTIVITIES	
Certificates of deposit and savings account	<u>(22,043)</u>
NET INCREASE (DECREASE) IN CASH	76,029
CASH - Beginning of year	<u>8,994,170</u>
CASH - End of year	<u>9,070,200</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	6,547,511
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	266,394
Changes in Assets & Liabilities	
Accounts receivable	(3,237)
Accounts payable	697
Payroll liabilities	<u>(490)</u>
Total Adjustments	<u>263,364</u>
Net Cash Provided by Operating Activities	<u>6,810,874</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, 2012

(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, 2012
(continued)

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

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

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

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

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

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

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

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2012
(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		52
Insured (FDIC)	1,134,283	1,134,283
Uninsured: Collateral held by District's agent in agent's name	<u>9,868,401</u>	<u>10,042,335</u>
Total Cash	11,002,684	11,176,670
Shown as certificates of deposit		<u>(2,106,470)</u>
Shown as cash & cash equivalents		<u>9,070,200</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, 2012.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2012
(continued)

(4) CAPITAL ASSETS

A summary of changes to capital assets for 2012 follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Pipeline	8,707,937	8,619,554	-0-	17,327,491
Long Term Lease	5,000,000	-0-	-0-	5,000,000
Water Rights	53,861,857	530,610	-0-	54,392,467
Easements	235,535	15,579	-0-	251,114
Loan Origination Fees	45,000	589,979	-0-	634,979
Equipment	6,489	-0-	-0-	6,489
Automobile	<u>25,600</u>	<u>33,840</u>	<u>25,600</u>	<u>33,840</u>
Total	67,882,418	9,789,562	25,600	77,646,380
Accumulated Depreciation	<u>779,769</u>	<u>266,394</u>	<u>17,920</u>	<u>1,028,243</u>
Net Capital Assets	<u>67,102,649</u>	<u>9,523,168</u>	<u>(7,680)</u>	<u>76,618,137</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	1,250,050	144,300	944,947	449,403
CREP contracts	3,642,485	65,648	237,241	3,470,892
Leases payable	93,668	-0-	72,651	21,017
Water Rights	4,176,003	-0-	190,748	3,985,255
Pipeline Loan	<u>50,168,573</u>	<u>9,419,313</u>	<u>-0-</u>	<u>59,587,886</u>
Total	59,330,779	9,629,261	1,445,587	67,514,453

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>
2013	108,762
2014	<u>10,140</u>
Total	118,902

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2012
 (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>
2013	133,199
2014	139,422
2015	133,755
2016	1,148,767
2017	219,843
2018-2022	1,662,333
2023-2025	<u>33,003</u>
Total	3,470,322

During 2009, the District entered into leases with the landowners. These leases are from 4 to 5 years. The following information summarizes the annual amounts due for the leases.

Due in	
<u>Year</u>	<u>Amount</u>
2013	21,017

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>
2013	176,623
2014	96,158
2015	28,860
2016	<u>28,860</u>
Total	330,501

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2012
(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. Following is a schedule of payments;

Due in <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	195,040	89,668	284,708
2014	199,428	85,280	284,708
2015	203,916	80,793	284,709
2016	208,504	76,204	284,708
2017	213,195	71,513	284,708
2018-2022	1,140,123	283,418	1,423,541
2023-2027	1,274,290	149,251	1,423,541
2028-2029	<u>550,759</u>	<u>18,657</u>	<u>569,416</u>
Total;	3,985,255	854,784	4,840,039

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>
2013	2,514,339	1,191,758	3,706,097
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
2018-2022	14,446,592	4,083,894	18,530,486
2023-2027	15,950,205	2,580,281	18,530,486
2028-2032	<u>16,106,366</u>	<u>920,171</u>	<u>17,026,537</u>
Total;	59,587,886	13,030,108	72,617,994

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2012
(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>
2013	3,148,979	1,281,426	4,430,405
2014	3,009,775	1,226,751	4,236,526
2015	2,982,449	1,170,971	4,153,420
2016	4,054,367	1,114,065	5,168,432
2017	3,154,640	1,056,009	4,210,649
2018-2022	17,249,048	4,367,311	21,616,359
2023-2027	17,257,498	2,729,532	19,987,030
2025-2032	<u>16,657,696</u>	<u>938,828</u>	<u>17,596,524</u>
Total	67,514,452	13,884,893	81,399,345

(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	7,850,677
Non-Operating Revenues (Expenses) - GAAP basis	<u>58,243</u>
Total Revenues - GAAP basis	7,908,920
Total Expenditures- GAAP basis	1,303,166
Interest Expense	1,240,165
Debt Service	1,248,178
Capital Outlay	9,763,962
Less Depreciation	<u>(266,394)</u>
Total Expenses - Budgetary Basis	13,289,077

(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, 2012
(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, 2012 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, 2012, expenditures did not exceed the budgeted amount.

- (10) A prior year adjustment was made for a lease payment received in December 2011 which was for the year 2012.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2012
(continued)

D. Defined Benefit Pension Plan

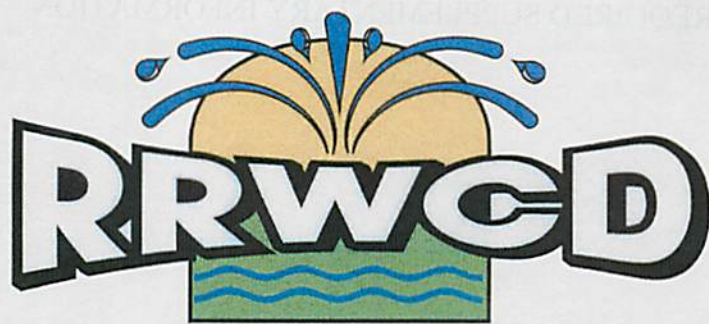
Plan Description - The District contributes to the Combined State and School Division Trust Fund (CSSDTF), a cost sharing multi-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). CSSDTF provides retirement and disability, annual increases, 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, 2010, 2011, and 2012 were \$16,662, \$31,681, and \$18,924, 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, 2010, 2011, and 2012 were \$973, \$1,035, and \$1,017 respectively.



REQUIRED SUPPLEMENTARY INFORMATION

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenues and Expenditures - Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Irrigation Assessment Fees	7,080,000	7,080,000	7,071,088	(8,912)
Commercial & Municipal Well Assessments	117,000	117,000	112,120	(4,880)
Surface Evaporative Loss Fees	0	0	352	352
Water Lease	208,108	208,108	689,578	481,470
Interest Income	65,000	65,000	35,782	(29,218)
Loan Proceeds	<u>8,712,227</u>	<u>8,712,227</u>	<u>9,629,261</u>	<u>917,034</u>
Total Revenues	16,182,335	16,182,335	17,538,180	1,355,845
EXPENDITURES				
Salaries & Wages	89,250	89,250	92,500	(3,250)
Employee Benefits	34,953	34,953	36,872	(1,919)
Board and Director Expenses	53,800	53,800	56,100	(2,300)
Office	18,492	18,492	16,650	1,842
Engineering Fees	100,000	100,000	57,295	42,705
Legal Fees	258,000	258,000	243,193	14,807
Accounting & Auditing	30,000	30,000	31,055	(1,055)
Lobbyist Fees	45,000	45,000	43,170	1,830
Other Professional Fees	15,000	15,000	(27,258)	42,258
EQIP Contracts	788,324	788,324	(215,558)	1,003,882
CREP/AWEP Contracts	803,091	803,091	398,563	404,528
Leases	4,072,652	4,072,652	29,413	4,043,240
Interest	3,593,960	3,593,960	1,240,165	2,353,795
Operating Expenses	322,900	322,900	63,522	259,378
County Treasurer's Fees	212,400	212,400	211,255	1,145
Debt Service	190,748	190,748	1,248,178	(1,057,430)
Capital Outlay	<u>9,600,000</u>	<u>9,600,000</u>	<u>9,763,963</u>	<u>(163,963)</u>
Total Expenditures	<u>20,228,570</u>	<u>20,228,570</u>	<u>13,289,078</u>	<u>6,939,492</u>
Income (Loss) Before Adjustments Below	(4,046,235)	(4,046,235)	4,249,102	8,295,337
Adjustments to Enterprise Basis of Accounting				
Loan Proceeds	0	0	(9,629,261)	(9,629,261)
Debt Service	0	0	1,248,178	1,248,178
Capital Outlay	0	0	9,763,963	9,763,963
Depreciation	<u>0</u>	<u>0</u>	<u>(266,394)</u>	<u>(266,394)</u>
Net Income Proprietary Fund Basis of Accounting	<u>(4,046,235)</u>	<u>(4,046,235)</u>	<u>5,365,589</u>	<u>9,411,824</u>
Beginning Fund Balance	10,523,929	10,523,929	14,282,140	3,758,211
Prior Year Adjustment	<u>0</u>	<u>0</u>	<u>(481,470)</u>	<u>(481,470)</u>
Ending Fund Balance	<u>6,477,694</u>	<u>6,477,694</u>	<u>19,166,259</u>	<u>12,688,565</u>