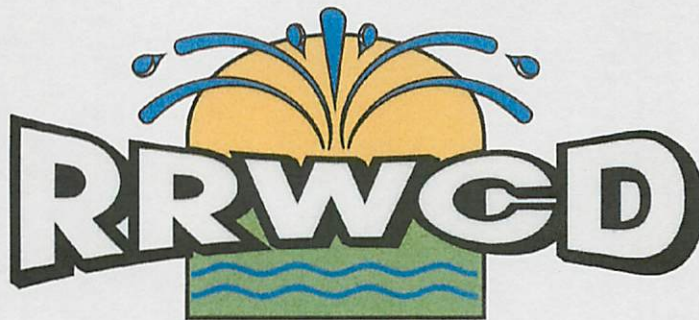


**REPUBLICAN RIVER  
WATER CONSERVATION DISTRICT**

Financial Statements

For the Year Ended December 31, 2015





REPUBLICAN RIVER WATER CONSERVATION DISTRICT

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December 31, 2015

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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, 2015, 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, 2015, 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 on pages a-e 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  
Certified Public Accountants



by: Gerald County, CPA

September 16, 2016

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2015**

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, 2015. Please read it in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

The District's net position increased by \$3,319,489. Due to higher prices paid for commodities, there were nominal acres added to conservation programs in which irrigation wells are permanently retired. The construction of the pipeline is considered complete.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts;

Management's Discussion and Analysis

Financial Statements

Supplementary Information

**FINANCIAL ANALYSIS OF THE DISTRICT**

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Activities report information about the District's activities in a way that can help answer that question. These two statements report the net assets of the District and the related changes in these assets. The District's net 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, 2015**

**NET ASSETS**

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

**Condensed Balance Sheet**

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>
Current Assets	6,880,504	5,382,935	1,497,569
Deferred Outflows	75,773	0	75,773
Prepaid Long Term Lease	3,000,000	3,250,000	(250,000)
Capital Assets	<u>72,955,279</u>	<u>72,523,445</u>	<u>431,834</u>
Total Assets	82,911,556	81,156,380	1,755,176
Current Liabilities	4,626,458	3,298,279	1,328,179
Long-term Liabilities	<u>45,930,807</u>	<u>48,840,705</u>	<u>(2,909,898)</u>
Total Liabilities	50,557,265	52,138,984	(1,581,719)
Deferred Inflows of Resources	17,407	0	17,407
Invested in Capital Assets	27,243,981	27,575,017	(331,036)
Restricted for TABOR	98,181	98,181	0
Restricted for debt service	1,482,439	1,111,829	370,610
Non-restricted	<u>3,512,283</u>	<u>232,369</u>	<u>3,279,914</u>
Total Net Position	<u>32,336,884</u>	<u>29,017,396</u>	<u>3,319,488</u>

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2015**

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

**Condensed Statement of Activities**

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>
Operating Revenue	7,304,998	7,418,600	(113,602)
Non-Operating Revenue	<u>59,987</u>	<u>39,182</u>	<u>20,805</u>
Total Revenues	7,364,985	7,457,782	(92,797)
Depreciation & Amortization	643,165	642,504	661
Other Operating Expenses	1,566,195	518,775	1,047,420
G & A Expenses	618,625	587,361	31,264
Non-Operating Expenses	<u>950,672</u>	<u>1,023,318</u>	<u>(72,646)</u>
Total Expenses	<u>3,778,657</u>	<u>2,771,958</u>	<u>1,006,699</u>
Change in Net Position	3,586,328	4,685,824	(1,099,496)
Beginning Net Position	29,017,396	24,331,572	4,685,824
Prior Year Adjustment	<u>(266,839)</u>	<u>0</u>	<u>(266,839)</u>
Ending Net Position	<u><u>32,336,884</u></u>	<u><u>29,017,396</u></u>	<u><u>3,319,488</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, 2015**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2015, the District had invested \$78,796,922 in capital assets.

	<u>12/31/15</u>	<u>12/31/14</u>
Pipeline	17,686,033	17,686,033
Equipment	6,489	6,489
Vehicles	33,840	33,840
Water Rights	55,217,467	54,392,467
Easements	263,114	263,114
Loan Origination Fees	<u>589,979</u>	<u>589,979</u>
Total	73,796,922	72,971,922
Less accumulated depreciation	<u>(841,642)</u>	<u>(448,477)</u>
Total	72,955,280	72,523,445

**Long-Term Debt**

In 2015 \$2,737,129 principal payments were made on the Pipeline Loan. See note 5 to the financial statements for further information.

	<u>12/31/15</u>	<u>12/31/14</u>
CREP & EQIP Contracts	3,129,426	3,293,221
OAI Contracts	510,000	0
Pipeline Loan	45,711,299	48,448,427
Leases Payable	382,363	29,413
Net Pension Liability	<u>367,850</u>	<u>0</u>
Total	50,100,938	51,771,061

**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>12/31/15</u>	<u>12/31/14</u>
Lease	5,000,000	5,000,000
Less accumulated amortization	<u>(1,750,000)</u>	<u>(1,500,000)</u>
Net	3,250,000	3,500,000

**Republican River Water Conservation District  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2015**

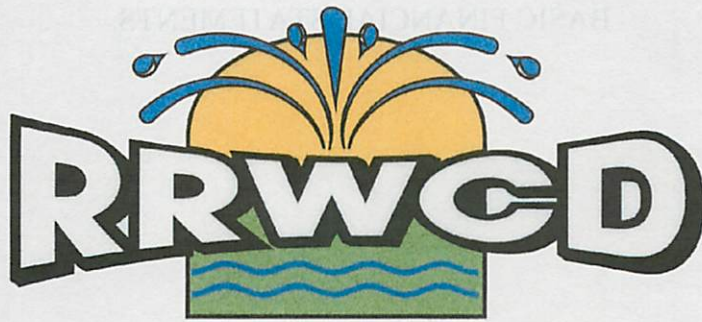
**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES**

The District's Board of Directors and management consider many factors when setting the 2016 budget, including user fees and charges. The following table presents the changes in the District's budget from 2015 to 2016.

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>
Operating Revenue	7,351,810	7,326,210	25,600
Non-Operating Revenue	36,000	42,000	(6,000)
Beginning Balance	<u>6,110,182</u>	<u>4,955,148</u>	<u>1,155,034</u>
Total Revenue	13,497,992	12,323,358	1,174,634
Other Operating Expense	2,261,847	959,728	1,302,119
G & A Expense	704,573	717,038	(12,465)
Capital Outlay	7,105,871	8,342,129	(1,236,258)
Non-Operating Expense	<u>914,226</u>	<u>968,969</u>	<u>(54,743)</u>
Total Expense	<u>10,986,517</u>	<u>10,987,864</u>	<u>(1,347)</u>
Ending Net Position	<u><u>2,511,475</u></u>	<u><u>1,335,494</u></u>	<u><u>1,175,981</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, 2015

<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	2,429,098	
Certificates of deposit	2,148,513	
FFEC/Southwest Securities	2,024,949	
Accounts receivable	510	
Prepaid expenses	27,433	
Prepaid leases	<u>250,000</u>	
Total Current Assets		6,880,504
Deferred Outflow of Resources		75,773
Prepaid Long Term Leases		3,000,000
Capital Assets		
Water Rights	55,217,467	
Easements	263,114	
Loan Origination Fees	589,979	
Pipeline	17,686,033	
Equipment & Vehicle	40,329	
Less: Accumulated depreciation/amortization	<u>(841,642)</u>	
Net Capital Assets		<u>72,955,280</u>
<b>TOTAL ASSETS</b>		<b>82,911,556</b>
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Accounts payable	150,750	
Accrued interest	305,577	
Current portion of long-term	<u>4,170,130</u>	
Total Current Liabilities		4,626,457
Long-Term Liabilities		
CREP contracts	2,303,530	
EQIP contracts - well retirement	0	
OAI 15	340,000	
Loans payable	42,919,427	
Net Pension Liability	<u>367,850</u>	
Total Long-Term Liabilities		<u>45,930,807</u>
<b>TOTAL LIABILITIES</b>		<b>50,557,265</b>
Deferred Inflows of Resources		17,407
Net Position		
Investment in capital assets	27,243,981	
Restricted for TABOR	98,181	
Unrestricted	<u>4,994,722</u>	
<b>TOTAL NET POSITION</b>		<b><u>32,336,884</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, 2015

<b>OPERATING REVENUES</b>		
Irrigation assessment fees	6,916,942	
Commercial & Municipal well assessment	126,789	
Surface evaporative water loss	658	
Conservation income	0	
Water & property leases	<u>260,609</u>	
<b>Total Operating Revenues</b>		<b>7,304,998</b>
 <b>OPERATING EXPENSES</b>		
County Treasurer fees	204,541	
Telephone	4,418	
Travel expenses	12,200	
Vehicle expenses	(1,029)	
Pipeline	392,393	
CIG grants & conservation	14,925	
Land & Water expenses	43,631	
WPP Expenses	2,753	
Contracts paid	892,363	
Amortization of water rights lease	250,000	
Depreciation	<u>393,165</u>	
<b>Total Operating Expenses</b>		<b>2,209,360</b>
 <b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>		
Salaries & wages	130,055	
Employee benefits	72,274	
Office expenses	22,158	
Accounting & audit fees	27,568	
Consulting	32,427	
Engineering fees	49,658	
Legal fees	143,489	
Lobbyist fees	50,693	
Other professional fees	264	
Insurance	22,357	
Directors expenses	<u>67,684</u>	
<b>Total General &amp; Administrative Expenses</b>		<b><u>618,625</u></b>
 <b>TOTAL EXPENSES</b>		 <b><u>2,827,985</u></b>
 <b>OPERATING INCOME</b>		 <b>4,477,013</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, 2015  
(continued)

OTHER INCOME (EXPENSE)		
Interest income	16,616	
Interest expense	(950,672)	
Investment Gain/Loss	23,301	
Interest on fees	<u>20,070</u>	
Total Other Income		<u>(890,685)</u>
CHANGE IN NET POSITION		3,586,328
NET POSITION - Beginning		29,017,396
Prior Year Adjustment		<u>(266,839)</u>
NET POSITION - Ending		<u>32,336,884</u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Statement of Cash Flows  
For the Year Ended December 31, 2015

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from fees	7,115,855
Paid for salaries & benefits	(241,339)
Paid for Board compensation	(20,160)
Paid to well owners	(719,518)
Paid to suppliers	<u>(932,789)</u>
Net Cash Provided by Operating Activities	5,202,049
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Acquisition of water rights	(825,000)
Debt proceeds	510,000
Interest Expense	(968,204)
Debt payments	<u>(2,519,326)</u>
Net Cash Provided by Capital Financing Activities	(3,802,530)
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Interest income	36,686
 <b>NET INCREASE (DECREASE) IN CASH</b>	 1,436,206
 CASH - Beginning of year	 <u>992,893</u>
 CASH - End of year	 <u>2,429,098</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	4,477,013
 <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Depreciation & amortization	643,165
Changes in Assets & Liabilities	
Accounts receivable	2,604
Prepaid expenses	(27,433)
Credit cards payable	(2,333)
Accounts payable	114,100
Payroll liabilities	<u>(5,067)</u>
Total Adjustments	<u>725,037</u>
Net Cash Provided by Operating Activities	<u>5,202,049</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, 2015

(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, 2015**  
 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 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.

**(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		38
Insured (FDIC)	1,140,415	1,140,415
Uninsured: Collateral held by District's agent in agent's name	<u>3,447,334</u>	<u>3,437,159</u>
Total Cash	4,587,749	4,577,612
Shown as certificates of deposit		<u>(2,148,513)</u>
Shown as cash & cash equivalents		<u>2,429,099</u>

**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.

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2015**  
**(continued)**

At December 31, 2015, the District had the following investments and maturities

<u>Investments</u>	<u>S&amp;P Rating</u>	<u>Fair Value</u>	<u>Less than One Year</u>	<u>More than One Year</u>
Bonds	AA+	2,010,568	-0-	2,010,568
Cash		14,381		

**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, 2015.

(4) **CAPITAL ASSETS**

A summary of changes to capital assets for 2015 follows:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
Pipeline	17,686,033	-0-	-0-	17,686,033
Water Rights	54,392,467	825,000	-0-	55,217,467
Easements	263,114	-0-	-0-	263,114
Loan Origination Fees	589,979	-0-	-0-	589,979
Equipment	6,489	-0-	-0-	6,489
Automobile	33,840	-0-	-0-	33,840
Total	<u>72,971,922</u>	<u>825,000</u>	<u>-0-</u>	<u>73,796,922</u>
Accumulated Depreciation	<u>448,477</u>	<u>393,165</u>	<u>-0-</u>	<u>841,642</u>
Net Capital Assets	<u>72,523,445</u>	<u>431,835</u>	<u>-0-</u>	<u>72,955,280</u>

(5) **LONG-TERM DEBT**

Changes in Long-Term Debt

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>
AWEP contracts	57,720	-0-	28,860	28,860
CREP contracts	3,235,501	-0-	134,935	3,100,566
OAI contracts	-0-	510,000	-0-	510,000
Leases payable	29,413	382,363	29,413	382,363
Pipeline Loan	<u>48,448,427</u>	<u>-0-</u>	<u>2,737,129</u>	<u>45,711,298</u>
Total	<u>51,771,061</u>	<u>892,363</u>	<u>2,930,337</u>	<u>49,733,087</u>

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2015**  
(continued)

**(5) LONG-TERM DEBT**

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>
2016	1,149,987
2017	221,044
2018	139,288
2019	142,732
2020	134,955
2021-2025	1,279,401
2026-2028	<u>33,160</u>
Total	3,100,566

Beginning in 2009, the District began entering into Agriculture Water Enhancement Program (AWEP) contracts with landowners. Payments for these contracts are disbursed over 5 years. The following information summarizes the annual payments due on the outstanding AWEP contract obligations:

Due in <u>Year</u>	<u>Amount</u>
2016	28,860

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>
2016	2,791,871	914,226	3,706,097
2017	2,847,709	858,389	3,706,098
2018	2,904,663	801,434	3,706,097
2019	2,962,756	743,341	3,706,097
2020	3,022,011	684,086	3,706,097
2021-2025	16,041,201	2,489,285	18,530,486
2026-2030	<u>15,141,088</u>	<u>819,704</u>	<u>15,960,792</u>
Total	45,711,298	7,310,464	53,021,764

In 2015, the District entered into OAI 15 agreements with landowners. Payments for these contracts are disbursed over 4 years. The following information summarizes the annual payments;

Due in <u>Year</u>	<u>Principall</u>
2016	170,000
2017	170,000
2018	<u>170,000</u>
Total	510,000

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2015**  
**(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>
2016	4,170,130	914,226	5,084,356
2017	3,268,165	858,389	4,126,554
2018	3,243,364	801,434	4,044,798
2019	3,134,900	743,341	3,878,241
2020	3,186,379	684,086	3,870,465
2021-2025	17,467,664	2,803,818	20,271,482
2026-2030	<u>15,262,486</u>	<u>1,166,974</u>	<u>16,429,460</u>
Total	49,733,088	7,972,268	57,705,356

**(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	7,304,998
Non-Operating Revenues (Expenses) - GAAP basis	<u>59,987</u>
Total Revenues - GAAP basis	7,364,985
Total Expenditures- GAAP basis	2,813,987
Interest Expense	<u>950,672</u>
Total Expenses - Budgetary Basis	3,764,659

**(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.

**(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.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(continued)

The total amount of restricted net assets for emergency reserves at December 31, 2015 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, 2015 expenditures did not exceed the budgeted amount.

- (10) For the year ended December 31, 2015, the District implemented GASB 68, reporting for pensions. As a result, a prior year adjustment was required that included the amount of \$210,761 of net pension liability for the District as computed by PERA.

(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 and the accrual basis 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.

**General Information about the Pension Plan**

*Plan description* - Eligible employees of the District are provided with pensions through the LGDTF - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in the 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 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* - 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 in C.R.S. 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible employees under the PERA Benefit Structure is the greater of the:  
Highest average salary multiplied by 2.5 percent and then multiplied years of service credit.

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2015**  
**(continued)**

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 the 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.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living (COLAs), referred to as annual increased 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 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.

**Contributions** - Eligible employees of 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:

	Rate	
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%	
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	12.68%	

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

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2015**  
**(continued)**

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 \$24,766 for the year ended December 31, 2015.

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

At December 31, 2015, the District reported a liability of \$367,850 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The District proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2014, the District's portion was 0.0325339888 percent, which was an increase of 0.004710715 percent from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the District recognized pension expense of \$42,646. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	2,842	13
Changes of assumptions or other inputs	-0-	-0-
Net difference between projected and actual earnings on pension plan investments	72,931	6,939
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-0-	0
Contributions subsequent to the measurement date	24,766	-0-
<b>Total</b>	<b>100,539</b>	<b>6,952</b>

\$24,766 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(continued)

Year ended December 31, 2015	
2016 December 31, 2016	29,471
2017 December 31, 2017	22,533
2018 December 31, 2018	19,967
2019 December 31, 2019	19,967
2020 December 31, 2020	-0-
Thereafter	-0-

*Actuarial assumptions* - The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future 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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using 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, 2015**  
**(continued)**

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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 7.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LTDTF'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 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. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the RRWCD 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Proportionate share of the net pension liability	476,223	378,846	137,687

*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).

REPUBLICAN RIVER WATER CONSERVATION DISTRICT  
Notes to the Financial Statements  
For the Year Ended December 31, 2015  
(continued)

**Other Post-Employment Benefits.**

**Health Care Trust Fund**

*Plan Description* - The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorized disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* - The District is required to contribute at a rate of 1.02 percent of PERA-includable salary 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 C.R.S, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended June 30, 2013, 2014, and 2015 were \$1,507, \$1,579, and \$1,673, respectively, equal to their required contributions for each year.

**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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Irrigation Assessment Fees	6,950,070	6,950,070	6,937,012	(13,058)
Commercial & Municipal Well Assessments	121,000	121,000	126,789	5,789
Surface Evaporative Loss Fees	658	658	658	0
Conservation & Water Lease	274,609	274,609	260,609	(14,000)
Investment Gain	0	0	23,301	23,301
Interest Income	<u>16,616</u>	<u>16,616</u>	<u>16,616</u>	<u>0</u>
Total Revenues	7,362,953	7,362,953	7,364,985	2,032
<b>EXPENDITURES</b>				
Salaries & Wages	135,712	135,712	130,055	5,657
Employee Benefits	29,628	29,628	72,274	(42,646)
Board and Director Expenses	62,400	62,400	54,104	8,296
Office	21,295	21,295	19,158	2,137
Engineering Fees	100,000	100,000	49,658	50,343
Legal Fees	250,000	250,000	143,489	106,511
Accounting & Auditing	22,000	22,000	27,568	(5,568)
Lobbyist Fees	50,000	50,000	50,693	(693)
Other Professional Fees	15,600	15,600	32,691	(17,091)
EQIP Contracts	0	0	699,155	(699,155)
CREP/AWEP Contracts	383,815	383,815	163,795	220,020
Land & Water Expenses	40,000	40,000	46,385	(6,385)
Leases	4,229,413	4,229,413	29,413	4,200,000
Interest	968,975	968,975	950,672	18,302
Operating Expenses	832,000	832,000	461,843	370,157
County Treasurer's Fees	207,900	207,900	204,541	3,359
Lease of Water Rights	0	0	250,000	(250,000)
Depreciation	<u>279,499</u>	<u>279,499</u>	<u>393,165</u>	<u>(113,666)</u>
Total Expenses	<u>7,628,236</u>	<u>7,628,236</u>	<u>3,778,657</u>	<u>3,849,579</u>
Revenues over (under) Expenses	(265,283)	(265,283)	3,586,328	3,851,611
Beginning Retained Earnings	8,861,000	8,861,000	29,017,396	20,156,396
Prior Year Adjustment	<u>0</u>	<u>0</u>	<u>(266,839)</u>	<u>(266,839)</u>
Ending Retained Earnings	<u>8,595,717</u>	<u>8,595,717</u>	<u>32,336,884</u>	<u>23,741,167</u>

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Wray, Colorado**  
**Schedule of District's Proportionate Share of the Net Pension Liability**  
**Last 10 Years**

Proportion (percentage) of the collective net pension liability	<u>2015</u>	<u>2014</u>	<u>2013</u>
	0.0343911300%	0.0325339888%	0.0278232730%
Proportionate share of the collective net pension liability	378,846	291,605	228,963
Covered payroll	195,315	178,776	148,440
Proportionate share of the net position liability as a percentage of its covered employee payroll	51.56%	61.31%	64.83%
Plan fiduciary net position of the total pension liability	76.90%	80.70%	

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

**REPUBLICAN RIVER WATER CONSERVATION DISTRICT**  
**Wray, Colorado**  
**Schedule of Contributions and Related Ratios**  
**Last 10 Fiscal Years**

As of June 30,	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contributions	24,766	22,605	18,822	17,515	17,291
Contributions in relation to the statutorily required contribution	<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>
Covered-employee payroll	195,315	178,776	148,440	138,131	136,363
Contributions as a percentage of covered-employee payroll	12.68%	12.64%	12.68%	12.68%	12.68%