

**REPUBLICAN RIVER
WATER CONSERVATION DISTRICT**

Financial Statements

For the Year Ended December 31, 2010

This page intentionally left blank



REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Table of Contents
December 31, 2010

Page

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

WINFREY & COUNTY, 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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Republican River Water Conservation District
Wray, CO 80758

We have audited the accompanying statement of net assets of the Republican River Water Conservation District as of December 31, 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 through e and 13 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 discussions and analysis, we have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule for the General Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

WINFREY & COUNTY, PC
Certified Public Accountants



by: Gerald County, CPA

June 20, 2011

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2010**

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, 2010. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$5,391,033 due to delayed pipeline construction. Minimal acres were added to retirement program contracts due to commodity price increases 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, 2010**

NET ASSETS

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

Condensed Balance Sheet

	<u>2010</u>	<u>2009</u>	<u>\$ Change</u>
Current Assets	7,008,991	5,810,797	1,198,194
Capital Assets	<u>60,356,465</u>	<u>56,535,461</u>	<u>3,821,004</u>
Total Assets	67,365,456	62,346,258	5,019,198
Current Liabilities	3,868,464	2,177,152	1,691,312
Long-term Liabilities	<u>54,997,712</u>	<u>57,060,859</u>	<u>(2,063,147)</u>
Total Liabilities	58,866,176	59,238,011	(371,835)
Invested in Capital Assets			
Net of Related Debt	10,150,405	4,574,035	5,576,370
Restricted for TABOR	98,181	98,181	0
Non-restricted	<u>(1,749,306)</u>	<u>(1,563,969)</u>	<u>(185,337)</u>
Total Net Assets	<u>8,499,280</u>	<u>3,108,247</u>	<u>5,391,033</u>

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2010**

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. As can be seen in the following chart, the most noticeable change is the increase in Operating Revenue due to the increased fee assessment.

Condensed Statement of Activities

	<u>2010</u>	<u>2009</u>	<u>\$ Change</u>
Operating Revenue	7,671,860	7,598,549	73,311
Non-Operating Revenue	<u>104,031</u>	<u>111,634</u>	<u>(7,603)</u>
Total Revenues	7,775,891	7,710,183	65,708
Depreciation & Amortization	258,297	258,297	0
Other Operating Expenses	631,937	768,670	(136,733)
G & A Expenses	477,876	553,887	(76,011)
Non-Operating Expenses	<u>1,016,748</u>	<u>619,384</u>	<u>397,364</u>
Total Expenses	<u>2,384,858</u>	<u>2,200,238</u>	<u>184,620</u>
Change in Net Assets	5,391,033	5,509,945	(118,912)
Beginning Net Assets	<u>3,108,247</u>	<u>(2,401,698)</u>	<u>706,549</u>
Ending Net Assets	<u>8,499,280</u>	<u>3,108,247</u>	<u>5,391,033</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, 2010**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the District had invested \$60,877,937 in capital assets.

	<u>12/31/10</u>	<u>12/31/09</u>
Pipeline	1,939,210	1,671,313
Equipment	6,489	6,489
Vehicles	25,600	25,600
Long Term Lease	5,000,000	5,000,000
Water Rights	53,861,638	50,050,235
Loan Origination Fees	<u>45,000.00</u>	<u>45,000.00</u>
Total	60,877,937	56,798,636
Less accumulated depreciation	<u>(521,472)</u>	<u>(263,175)</u>
Total	<u>60,356,465</u>	<u>56,535,461</u>

Long-Term Debt

In 2010, additional EQIP, AWEP & CREP contracts were issued. Additional long-term loans were issued for pipeline construction and purchase of water rights. See note 5 to the financial statements for further information.

	<u>12/31/10</u>	<u>12/31/09</u>
CREP & EQIP Contracts	6,970,213	8,036,525
Long Term Lease Loan	4,362,554	4,545,000
Pipeline Loan	45,843,505	45,843,505
Leases Payable	<u>166,320</u>	<u>208,749</u>
Total	57,342,593	58,633,780

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2010**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The District's Board of Directors and management consider many factors when setting the 2011 budget, including user fees and charges. The following table presents the changes in the District's budget from 2010 to 2011.

	<u>2011</u>	<u>2010</u>	<u>\$ Change</u>
Operating Revenue	7,471,354	7,271,125	200,229
Non-Operating Revenue	105,000	155,000	(50,000)
Loans	14,756,495	14,221,429	535,066
Beginning Balance	<u>6,438,402</u>	<u>4,166,194</u>	<u>2,272,208</u>
Total Revenue	28,771,251	25,813,748	2,957,503
Other Operating Expense	2,799,375	2,131,426	667,949
G & A Expense	713,854	674,112	39,742
Capital Outlay	21,547,128	22,031,578	(484,450)
Non-Operating Expense	<u>2,950,000</u>	<u>102,263</u>	<u>2,847,737</u>
Total Expense	<u>28,010,357</u>	<u>24,939,379</u>	<u>3,070,978</u>
Ending Net Assets	<u>760,894</u>	<u>874,369</u>	<u>(113,475)</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.

This page intentionally left blank

BASIC FINANCIAL STATEMENTS



REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Net Assets
December 31, 2010

ASSETS		
Current Assets		
Cash and cash equivalents	4,796,558	
Certificates of deposit	2,052,765	
Accounts receivable	158,368	
Inventory	<u>1,301</u>	
Total Current Assets		7,008,992
Capital Assets		
Water Rights	53,861,638	
Prepaid Long Term Leases	5,000,000	
Loan Origination Fees	45,000	
Pipeline	1,939,210	
Equipment	6,489	
Vehicle	25,600	
Less: Accumulated depreciation	<u>(521,472)</u>	
Net Capital Assets		<u>60,356,465</u>
TOTAL ASSETS		67,365,456
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	31,574	
Accrued interest	1,491,660	
Payroll liabilities	350	
Current portion of long-term	<u>2,344,881</u>	
Total Current Liabilities		3,868,464
Long-Term Liabilities		
CREP contracts	3,634,485	
EQIP contracts - well retirement	1,250,049	
Leases payable	93,669	
Loans payable	<u>50,019,509</u>	
Total Long-Term Liabilities		<u>54,997,712</u>
TOTAL LIABILITIES		58,866,176
Net Assets		
Investment in capital assets, net of related debt	10,150,405	
Restricted for TABOR	98,181	
Unrestricted	<u>(1,749,306)</u>	
TOTAL NET ASSETS		<u>8,499,280</u>

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenue, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2010

OPERATING REVENUES		
Irrigation assessment fees	7,086,449	
Commercial & Municipal well assessment	96,633	
Surface evaporative water loss	15,024	
Water lease	<u>473,754</u>	
Total Operating Revenues	7,671,860	
 OPERATING EXPENSES		
County Treasurer fees	212,476	
EQIP & CREP contracts	352,018	
Telephone	3,289	
Travel expenses	12,037	
Vehicle expenses	811	
Depreciation	258,297	
CIG grants	<u>51,306</u>	
Total Operating Expenses		890,234
 GENERAL & ADMINISTRATIVE EXPENSES		
Salaries & wages	88,452	
Employee benefits	23,396	
Office expenses	24,516	
Accounting & audit fees	32,830	
Consulting	22,404	
Engineering fees	43,338	
Legal fees	125,253	
Lobbyist fees	44,031	
Other professional fees	400	
Insurance	7,590	
Directors expenses	<u>65,667</u>	
Total General & Administrative Expenses		<u>477,876</u>
 TOTAL EXPENSES		
		1,368,110
 OPERATING INCOME		
		6,303,750
 OTHER INCOME (EXPENSE)		
Interest income	72,884	
Interest expense	(1,016,748)	
Interest on fees	<u>31,147</u>	
Total Other Income		<u>(912,717)</u>
 CHANGE IN NET ASSETS		
		5,391,033
 NET ASSETS - Beginning		
		<u>3,108,247</u>
 NET ASSETS - Ending		
		<u>8,499,280</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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from fees	7,465,589
Paid for salaries & benefits	(141,850)
Paid for Board compensation	(22,250)
Paid to well owners	(349,692)
Paid to suppliers	<u>(378,588)</u>
Net Cash Provided by Operating Activities	6,573,210
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of fixed assets	(267,897)
Acquisition of water rights	(3,811,404)
Interest Expense	(102,353)
Debt proceeds	349,692
Debt payments	<u>(1,640,879)</u>
Net Cash Provided by Capital Financing Activities	(5,472,841)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interest income	104,031
CASH FLOWS FROM INVESTING ACTIVITIES	
Certificates of deposit and savings account	<u>(45,414)</u>
NET INCREASE (DECREASE) IN CASH	1,158,986
CASH - Beginning of year	<u>3,637,572</u>
CASH - End of year	<u>4,796,558</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	6,303,750
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	258,297
Changes in Assets & Liabilities	
Accounts receivable	6,205
Accounts payable	4,957
Payroll liabilities	(0)
Total Adjustments	<u>269,459</u>
Net Cash Provided by Operating Activities	<u>6,573,210</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, 2010

(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, 2010
(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 Assets - represent the difference between assets and liabilities. Net assets 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 asset amount also is adjusted by any bond issuance deferral amounts. Net assets are reported as restricted when there 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, 2010
(continued)

(2) CASH DEPOSITS AND CASH EQUIVALENTS

Cash Deposits - for purpose of these financial statements, cash and cash equivalents consists 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		66
Insured (FDIC)	993,000	993,000
Uninsured: Collateral held by District's agent in agent's name	<u>5,888,968</u>	<u>5,856,257</u>
Total Cash	6,881,968	6,849,322
Shown as certificates of deposit		<u>(2,047,747)</u>
Shown as cash & cash equivalents		<u>4,801,575</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, 2010.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2010
(continued)

(4) CAPITAL ASSETS

A summary of changes to capital assets for 2010 follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Pipeline	1,671,313	267,897	-0-	1,939,210
Long Term Lease	5,000,000	-0-	-0-	5,000,000
Water Rights	50,050,235	3,811,404	-0-	53,861,639
Loan Origination Fees	45,000	-0-	-0-	45,000
Equipment	6,489	-0-	-0-	6,489
Automobile	<u>25,600</u>	<u>-0-</u>	<u>0-</u>	<u>25,600</u>
Total	56,798,637	4,079,301	-0-	60,877,938
Accumulated Depreciation	<u>263,175</u>	<u>258,297</u>	<u>-0-</u>	<u>521,472</u>
Net Capital Assets	<u>56,535,462</u>	<u>3,821,004</u>	<u>-0-</u>	<u>60,356,466</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	3,122,145	336,492	1,251,802	2,206,835
CREP contracts	4,884,967	13,200	134,789	4,763,378
Leases payable	238,162	-0-	71,842	166,320
Water Rights	4,545,000	-0-	182,446-	4,362,554
Pipeline Loan	<u>45,843,505</u>	<u>-0-</u>	<u>-0-</u>	<u>45,843,505</u>
Total	58,633,779	349,692	1,640,878	57,342,593

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
 Notes to the Financial Statements
 For the Year Ended December 31, 2010
 (continued)

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:

Due in <u>Year</u>	<u>Amount</u>
2011	956,785
2012	916,087
2013	256,524
2014	<u>77,438</u>
Total	2,206,834

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>
2011	1,128,893
2012	219,843
2013	133,199
2014	139,422
2015	135,088
2016-2020	1,756,426
2021-2025	<u>1,250,507</u>
Total	4,763,378

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2010
(continued)

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>
2011	72,652
2012	72,652
2013	<u>21,017</u>
Total	166,321

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>
2011	186,551	98,157	284,708
2012	190,748	93,960	284,708
2013	195,040	89,668	284,708
2014	199,428	85,280	284,708
2015	203,915	80,793	284,708
2016-2020	1,090,499	333,042	1,423,541
2021-2025	1,218,826	204,715	1,423,541
2025-2029	<u>1,077,547</u>	<u>61,286</u>	<u>1,138,833</u>
Total;	4,362,554	1,046,901	5,409,455

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 and will initiate when CWCB determines the project is substantially complete and annually thereafter. As funds are disbursed by CWCB, interest will accrue at the rate set for the loan. 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.

At December 31, 2010, the District had drawn \$45,843,505 on this loan.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2010
(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>
2011	2,344,881	98,157	2,443,038
2012	4,429,330	93,960	4,523,290
2013	3,635,779	89,668	3,725,447
2014	3,446,288	85,280	3,531,568
2015	3,369,004	80,793	3,449,797
2016-2020	17,996,925	333,042	18,329,997
2021-2025	17,619,333	204,715	17,824,048
2026-2029	<u>4,501,052</u>	<u>61,286</u>	<u>4,562,338</u>
Total	57,342,593	1,046,902	58,389,495

(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	7,671,860
Non-Operating Revenues (Expenses) - GAAP basis	<u>104,031</u>
Total Revenues - GAAP basis	7,775,891
Total Expenditures- GAAP basis	1,368,110
Interest Expense	1,016,748
Debt Service	1,569,037
Capital Outlay	4,079,301
Less Depreciation	<u>(258,297)</u>
Total Expenses - Budgetary Basis	7,846,740

(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, 2010
(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, 2010 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, 2010, expenditures did not exceed the budgeted amount.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2010
(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 12.95%. 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, 2008, 2009, and 2010 were \$16,662, \$17,714, and \$16,230, respectively, equal to their required contributions for each year.

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, 2008, 2009, and 2010 were \$1,080, \$1,117, and \$973 respectively, equal to their required contributions for each year.

This page intentionally left blank

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, 2010

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Irrigation Assessment Fees	7,190,543	7,190,543	7,117,597	(72,946)
Commercial & Municipal Well Assessments	98,582	98,582	96,633	(1,949)
Surface Evaporative Loss Fees	0	0	15,024	15,024
Water Lease	77,000	77,000	473,754	396,754
Interest Income	60,000	60,000	72,884	12,884
Loan Proceeds	<u>14,221,429</u>	<u>14,221,429</u>	<u>349,692</u>	<u>(13,871,737)</u>
Total Revenues	<u>21,647,554</u>	<u>21,647,554</u>	<u>8,125,583</u>	<u>(13,521,971)</u>
EXPENDITURES				
Salaries & Wages	98,700	98,700	88,452	10,248
Employee Benefits	27,013	27,013	23,396	3,617
Board and Director Expenses	52,800	52,800	52,251	549
Office	25,600	25,600	20,771	4,829
Engineering Fees	94,000	94,000	43,338	50,662
Legal Fees	240,000	240,000	125,253	114,747
Accounting & Auditing	44,000	44,000	32,830	11,170
Lobbyist Fees	43,000	43,000	44,031	(1,031)
Other Professional Fees	24,000	24,000	22,803	1,197
EQIP Contracts	1,282,779	1,282,779	30,694	1,252,085
CREP/AWEP Contracts	551,819	551,819	291,911	259,908
Leases	1,372,652	1,372,652	29,413	1,343,240
Interest	102,263	102,263	1,016,748	(914,485)
Operating Expenses	77,300	77,300	92,194	(14,894)
County Treasurer's Fees	215,116	215,116	212,476	2,640
Debt Service	210,917	210,917	1,640,879	(1,429,962)
Capital Outlay	<u>20,477,422</u>	<u>20,477,422</u>	<u>4,079,301</u>	<u>16,398,121</u>
Total Expenditures	<u>24,939,381</u>	<u>24,939,381</u>	<u>7,846,740</u>	<u>17,092,641</u>
Income (Loss) Before Adjustments Below	<u>(3,291,827)</u>	<u>(3,291,827)</u>	278,843	3,570,670
Adjustments to Enterprise Basis of Accounting				
Loan Proceeds	0	0	(349,692)	(349,692)
Debt Service	0	0	1,640,879	1,640,879
Capital Outlay	0	0	4,079,301	4,079,301
Depreciation	<u>0</u>	<u>0</u>	<u>(258,297)</u>	<u>(258,297)</u>
Net Income Proprietary Fund Basis of Accounting	<u>(3,291,827)</u>	<u>(3,291,827)</u>	<u>5,391,033</u>	<u>8,682,860</u>
Beginning Fund Balance	<u>4,166,194</u>	<u>4,166,194</u>	<u>3,108,247</u>	<u>(1,057,947)</u>
Ending Fund Balance	<u>874,367</u>	<u>874,367</u>	<u>8,499,280</u>	<u>7,624,913</u>