

**REPUBLICAN RIVER
WATER CONSERVATION DISTRICT**

Financial Statements

For the Year Ended December 31, 2016



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REPUBLICAN RIVER WATER CONSERVATION DISTRICT
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WINFREY, COUNTY & HAYS, PC
Certified Public Accountants
577 14th Street
Burlington, Colorado 80807
Telephone No. 719-346-7216
Fax No. 719-346-8499

Gerald D County, CPA
Jennifer M. Hays, CPA

Kristina L. Lowe, CPA
Sarah M. Bailey, 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, 2016, 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, 2016, 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.

Wingray, County & Hays, PC

Burlington, CO
September 7, 2017

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2016**

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, 2016. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$4,559,012. Cash increased \$1,144,142 due to quiet year meeting obligations with minimal new conservation programs or purchases.

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, 2016**

NET ASSETS

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

| Condensed Balance Sheet | <u>2016</u> | <u>2015</u> | <u>\$ Change</u> |
|--------------------------------|-------------------|-------------------|--------------------|
| Current Assets | 7,997,074 | 6,880,504 | 1,116,570 |
| Deferred Outflows | 80,188 | 75,773 | 4,415 |
| Prepaid Long Term Lease | 2,750,000 | 3,000,000 | (250,000) |
| Capital Assets | <u>72,562,114</u> | <u>72,955,279</u> | <u>(393,165)</u> |
| Total Assets | 83,389,376 | 82,911,556 | 477,820 |
| | | | |
| Current Liabilities | 3,702,054 | 4,626,458 | (924,404) |
| Long-term Liabilities | <u>42,777,210</u> | <u>45,930,807</u> | <u>(3,153,597)</u> |
| Total Liabilities | 46,479,264 | 50,557,265 | (4,078,001) |
| | | | |
| Deferred Inflows of Resources | 32,716 | 17,407 | 15,309 |
| | | | |
| Invested in Capital Assets | 29,642,686 | 27,243,981 | 2,398,705 |
| Restricted for TABOR | 98,181 | 98,181 | - |
| Restricted for Debt Service | 1,482,439 | 1,482,439 | - |
| Non-Restricted | <u>5,654,090</u> | <u>3,512,283</u> | <u>2,141,807</u> |
| Total Net Position | 36,877,396 | 32,336,884 | 4,540,512 |

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2016**

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>2016</u> | <u>2015</u> | <u>\$ Change</u> |
|--|--------------------------|--------------------------|-------------------------|
| Operating Revenue | 7,317,516 | 7,304,998 | 12,518 |
| Non-Operating Revenue | <u>45,030</u> | <u>59,987</u> | <u>(14,957)</u> |
| Total Revenue | 7,362,546 | 7,364,985 | (2,439) |
| | | | |
| Depreciation & Amortization | 643,166 | 643,165 | 1 |
| Other Operating Expenses | 743,004 | 1,566,195 | (823,191) |
| G & A Expenses | 540,302 | 618,625 | (78,323) |
| Non-Operating Expenses | <u>895,562</u> | <u>950,672</u> | <u>(55,110)</u> |
| Total Expenses | 2,822,034 | 3,778,657 | (956,623) |
| | | | |
| Change in Net Position | 4,540,512 | 3,586,328 | 954,184 |
| Beginning Net Position | 32,336,884 | 29,017,396 | 3,319,488 |
| Prior Year Adjustment | <u>-</u> | <u>(266,839)</u> | <u>266,839</u> |
| Ending Net Position | <u><u>36,877,396</u></u> | <u><u>32,336,885</u></u> | <u><u>4,540,511</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, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$78,796,922 in capital assets.

| | <u>12/31/16</u> | <u>12/31/15</u> |
|-------------------------------|--------------------------|--------------------------|
| Pipeline | 17,686,033 | 17,686,033 |
| Vehicles & Equipment | 40,329 | 40,329 |
| Water Rights | 55,217,467 | 55,217,467 |
| Easements | 263,114 | 263,114 |
| Loan Origination Fees | <u>589,979</u> | <u>589,979</u> |
| Total | 73,796,922 | 73,796,922 |
| Less accumulated depreciation | <u>(1,234,808)</u> | <u>(841,642)</u> |
| Total | <u><u>72,562,114</u></u> | <u><u>72,955,280</u></u> |

Long-Term Debt

In 2016 \$2,791,871 principal payments were made on the Pipeline Loan. See note 5 to the financial statements for further information.

| | <u>12/31/16</u> | <u>12/31/15</u> |
|-----------------------|-----------------|-----------------|
| CREP & EQIP Contracts | 1,950,580 | 3,129,426 |
| OAI Contracts | 505,440 | 510,000 |
| Pipeline Loan | 42,919,427 | 45,711,299 |
| Lease Payable | 352,950 | 382,363 |
| Net Pension Liability | <u>375,457</u> | <u>367,850</u> |
| Total | 46,103,854 | 50,100,938 |

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>12/31/16</u> | <u>12/31/15</u> |
|-------------------------------|--------------------|--------------------|
| Lease | 5,000,000 | 5,000,000 |
| Less Accumulated Amortization | <u>(2,000,000)</u> | <u>(1,750,000)</u> |
| Net | 3,000,000 | 3,250,000 |

**Republican River Water Conservation District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The District's Board of Directors and management consider many factors when setting the 2017 budget, including user fees and charges. The following table presents the changes in the District's budget from 2016 to 2017.

| | <u>2017</u> | <u>2016</u> | <u>\$ Change</u> |
|-------------------------|-------------------------|-------------------------|-------------------------|
| Operating Revenue | 7,323,018 | 7,351,810 | (28,792) |
| Non-Operating Revenue | 59,000 | 36,000 | 23,000 |
| Beginning Balances | <u>7,381,019</u> | <u>6,110,182</u> | <u>1,270,837</u> |
| Total Revenue | 14,763,037 | 13,497,992 | 1,265,045 |
| | | | |
| Other Operating Expense | 1,936,026 | 2,261,847 | (325,821) |
| G & A Expense | 708,340 | 704,573 | 3,767 |
| Capital Outlay | 9,402,709 | 7,105,871 | 2,296,838 |
| Non-Operating Expense | <u>858,389</u> | <u>914,226</u> | <u>(55,837)</u> |
| Total Expense | 12,905,464 | 10,986,517 | 1,918,947 |
| | | | |
| Ending Net Position | <u><u>1,857,573</u></u> | <u><u>2,511,475</u></u> | <u><u>(653,902)</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, 2016

| | | |
|---|--------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 3,555,024 | |
| Certificates of deposit | 2,162,554 | |
| FFEC/Southwest Securities | 2,029,126 | |
| Accounts receivable | 371 | |
| Prepaid expenses | 0 | |
| Prepaid leases | <u>250,000</u> | |
| Total Current Assets | | 7,997,074 |
| Deferred Outflow of Resources | | 80,188 |
| Prepaid Long Term Leases | | 2,750,000 |
| 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>(1,234,808)</u> | |
| Net Capital Assets | | <u>72,562,114</u> |
| TOTAL ASSETS | | 83,389,376 |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities | | |
| Accounts payable | 88,496 | |
| Accrued interest | 286,913 | |
| Current portion of long-term | <u>3,326,645</u> | |
| Total Current Liabilities | | 3,702,054 |
| Long-Term Liabilities | | |
| CREP contracts | 2,053,074 | |
| EQIP contracts - well retirement | 0 | |
| OAI 15 and OAI 16 | 276,960 | |
| Loans payable | 40,071,719 | |
| Net Pension Liability | <u>375,457</u> | |
| Total Long-Term Liabilities | | <u>42,777,210</u> |
| TOTAL LIABILITIES | | 46,479,264 |
| Deferred Inflows of Resources | | 32,716 |
| Net Position | | |
| Investment in capital assets | 29,642,686 | |
| Restricted for TABOR | 98,181 | |
| Restricted for Debt Service | 1,482,439 | |
| Unrestricted | <u>5,654,090</u> | |
| TOTAL NET POSITION | | <u>36,877,396</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, 2016

| | | |
|---|----------------|------------------|
| OPERATING REVENUES | | |
| Irrigation assessment fees | 6,936,393 | |
| Commercial & Municipal well assessment | 119,856 | |
| Surface evaporative water loss | 658 | |
| Water & property leases | <u>260,609</u> | |
| Total Operating Revenues | | 7,317,516 |
| | | |
| OPERATING EXPENSES | | |
| County Treasurer fees | 204,270 | |
| Telephone | 4,438 | |
| Travel expenses | 8,789 | |
| Vehicle expenses | (2,285) | |
| Pipeline | 311,073 | |
| CIG grants & conservation | 20,000 | |
| Land & Water expenses | 18,379 | |
| WPP Expenses | 2,879 | |
| Contracts paid | 175,460 | |
| Amortization of water rights lease | 250,000 | |
| Depreciation | <u>393,166</u> | |
| Total Operating Expenses | | 1,386,170 |
| | | |
| GENERAL & ADMINISTRATIVE EXPENSES | | |
| Salaries & wages | 126,161 | |
| Employee benefits | 43,410 | |
| Office expenses | 17,209 | |
| Accounting & audit fees | 24,206 | |
| Consulting | 20,896 | |
| Engineering fees | 40,043 | |
| Legal fees | 137,320 | |
| Lobbyist fees | 51,198 | |
| Other professional fees | 264 | |
| Insurance | 27,911 | |
| Directors expenses | <u>51,684</u> | |
| Total General & Administrative Expenses | | <u>540,302</u> |
| | | |
| TOTAL EXPENSES | | <u>1,926,472</u> |
| | | |
| OPERATING INCOME | | 5,391,044 |

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended December 31, 2016
(continued)

| | | |
|--------------------------|---------------|-------------------|
| OTHER INCOME (EXPENSE) | | |
| Interest income | 19,025 | |
| Interest expense | (895,562) | |
| Investment Gain/Loss | 4,177 | |
| Interest on fees | <u>21,828</u> | |
| Total Other Income | | <u>(850,532)</u> |
| CHANGE IN NET POSITION | | 4,540,512 |
| NET POSITION - Beginning | | 32,336,884 |
| Prior Year Adjustment | | <u>0</u> |
| NET POSITION - Ending | | <u>36,877,396</u> |

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2016

| | |
|---|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from fees | 7,113,385 |
| Paid for salaries & benefits | (186,941) |
| Paid for Board compensation | (17,912) |
| Paid to well owners | (277,735) |
| Paid to suppliers | <u>(626,808)</u> |
| Net Cash Provided by Operating Activities | 6,003,989 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | |
| Acquisition of water rights | 0 |
| Debt proceeds | (4,560) |
| Interest Expense | (914,226) |
| Debt payments | <u>(4,000,130)</u> |
| Net Cash Provided by Capital Financing Activities | (4,918,916) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Interest income | 40,853 |
| NET INCREASE (DECREASE) IN CASH | 1,125,926 |
| CASH - Beginning of year | <u>2,429,098</u> |
| CASH - End of year | <u>3,555,024</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | 5,391,044 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Depreciation & amortization | 643,166 |
| Changes in Assets & Liabilities | |
| Accounts receivable | 139 |
| Prepaid expenses | 27,433 |
| Credit cards payable | 0 |
| Accounts payable | (62,624) |
| Payroll liabilities | <u>4,831</u> |
| Total Adjustments | <u>612,945</u> |
| Net Cash Provided by Operating Activities | <u>6,003,989</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, 2016

(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 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 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, 2016
(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 | | 37 |
| Insured (FDIC) | 1,147,154 | 1,147,154 |
| Uninsured: Collateral Held by District's Agent in Agent's Name | <u>4,630,575</u> | <u>4,570,387</u> |
| Total Cash | 5,777,728 | 5,717,577 |
| Shown as Certificates of Deposits | | (2,162,554) |
| Shown as Cash & Cash Equivalents | | 3,555,024 |

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

Investments - Colorado statutes specify in which instruments a local government may invest, which include:

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

At December 31, 2016, the District had the following investments and maturities

| <u>Investments</u> | <u>S&P Rating</u> | <u>Fair Value</u> | <u>Less than One Year</u> | <u>More than One Year</u> |
|--------------------|-----------------------|-------------------|-------------------------------|-------------------------------|
| Bonds | AA+ | 2,015,616 | 392,055 | 1,623,561 |
| Cash | | 13,509 | | |

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, 2016.

(4) CAPITAL ASSETS

A summary of changes to capital assets for 2016 follows:

| | <u>Balance January 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance December 31</u> |
|--------------------------|------------------------------|------------------|------------------|--------------------------------|
| Pipeline | 17,868,033 | - | - | 17,868,033 |
| Water Rights | 55,217,467 | - | - | 55,217,467 |
| Easements | 263,114 | - | - | 263,114 |
| Loan Origination Fees | 589,979 | - | - | 589,979 |
| Equipment | 6,489 | - | - | 6,489 |
| Automobile | 33,840 | - | - | 33,840 |
| Total | 73,978,922 | - | - | 73,978,922 |
| Accumulated Depreciation | 841,642 | 393,166 | - | 1,234,808 |
| Net Capital Assets | 73,137,280 | 393,166 | - | 73,530,446 |

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

(5) LONG-TERM DEBT

Changes in Long-Term Debt

| | Balance <u>January 1</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>December 31</u> |
|----------------|-----------------------------|------------------|------------------|-------------------------------|
| AWEP Contracts | 28,860 | - | 28,860 | - |
| CREP Contracts | 3,100,566 | - | 1,149,986 | 1,950,580 |
| OAI Contracts | 510,000 | 165,440 | 170,000 | 505,440 |
| Leases Payable | 382,363 | - | 29,413 | 352,951 |
| Pipeline Loan | 45,711,298 | - | 2,791,871 | 42,919,427 |
| Total | 49,733,087 | 165,440 | 4,170,130 | 45,728,397 |

Beginning in 2006, the District began entering into Conservation Reserve Enhancement Program (CREP) contracts with landowners. Payments for these contracts are disbursed over 15 years. The following information summarizes the annual payments due on the outstanding CREP contract obligations:

| <u>Due in Year</u> | <u>Amount</u> |
|--------------------|---------------|
| 2017 | 221,043 |
| 2018 | 139,289 |
| 2019 | 142,732 |
| 2020 | 134,955 |
| 2021 | 1,149,967 |
| 2022-2026 | 153,193 |
| 2027-2028 | 9,400 |
| Total | 1,950,580 |

In 2008, the District entered into a loan agreement with Colorado Water Conservation Board for the construction of the Republican River Compact Compliance Pipeline Project which includes the purchase of water rights, with a total possible loan amount of \$60,600,000 which includes a 1% loan service fee, with interest at 2.00% for 20 years. The loan payments are \$3,706,097 per year. The first payment was made in December 2012. The District is required to establish and maintain a debt service reserve account by depositing an amount equal to one-tenth of an annual payment into this account on the due date of its first annual loan payment and annually thereafter for the first ten years of repayment of this loan. Following is a schedule of payments;

| <u>Due in Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|--------------|
| 2017 | 2,847,709 | 858,389 | 3,706,097 |
| 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 | 3,082,451 | 623,646 | 3,706,097 |
| 2022-2026 | 16,362,025 | 2,168,461 | 18,530,486 |
| 2027-2030 | 11,737,813 | 516,882 | 12,254,695 |
| Total | 42,919,427 | 6,396,239 | 49,315,667 |

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

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;

| <u>Due in Year</u> | <u>Principal</u> |
|--------------------|------------------|
| 2017 | 170,000 |
| 2018 | 170,000 |
| Total | <u>340,000</u> |

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

| <u>Due in Year</u> | <u>Principal</u> |
|--------------------|------------------|
| 2017 | 58,480 |
| 2018 | 58,480 |
| 2019 | 48,480 |
| Total | <u>165,440</u> |

Total long-term commitments

| <u>Due in Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-----------------|-------------------|
| 2017 | 3,326,645 | 858,389 | 4,185,033 |
| 2018 | 3,301,844 | 801,434 | 4,103,278 |
| 2019 | 3,183,380 | 743,341 | 3,926,721 |
| 2020 | 3,186,379 | 684,086 | 3,870,465 |
| 2021 | 4,261,831 | 623,646 | 4,885,477 |
| 2022-2026 | 16,662,280 | 2,168,461 | 18,830,741 |
| 2023-2030 | <u>11,806,038</u> | <u>516,882</u> | <u>12,322,920</u> |
| Total | 45,728,397 | 6,396,239 | 52,124,636 |

(6) RECONCILIATION OF PROPRIETARY (GAAP) REVENUES AND EXPENSES TO BUDGETARY REVENUES AND EXPENDITURES

The District prepares its budget annually. The budget comparison in this report is presented on a Non-GAAP budgetary basis. The following reconciliation is presented to reconcile to the GAAP basis financial statements.

| | |
|---|----------------|
| Operating Revenue- GAAP Basis | 7,351,810 |
| Non-Operating Revenues (Expenses) -GAAP Basis | <u>36,000</u> |
| Total Revenues- GAAP Basis | 7,387,810 |
| Total Expenditures- GAAP Basis | 10,072,292 |
| Interest Expenses | <u>914,226</u> |
| Total Expenses-Budgetary Basis | 10,986,518 |

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

(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.

The total amount of restricted net assets for emergency reserves at December 31, 2016 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, 2016 expenditures did not exceed the budgeted amount.

(10) 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.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

General Information about the Pension Plan

Plan description – The Local Government Trust Fund (LGDTF) is a cost-sharing multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67 and is administered by the Colorado Public Employee's Retirement Association (PERA). PERA issues a publicly available comprehensive annual financial report that can be obtained at 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.

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.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

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 ¹ | 10.00% | |
| Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹ | (1.02)% | |
| Amount Apportioned to the LGDTF ¹ | 8.98% | |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹ | 2.20% | |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹ | 1.50% | |
| Total Employer Contribution Rate to the SCHDTF ¹ | 12.68% | |

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$21,370 for the year ended December 31, 2016.

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

At December 31, 2016, the District reported a liability of \$375,457 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the District's portion was 0.0278046411 percent, which was a decrease of 0.0065864889 percent from its proportion measured as of December 31, 2015.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

For the year ended December 31, 2016, the District recognized pension expense of \$18,500. At December 31, 2016, 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 | 3,839 | 0 |
| Changes of assumptions or other inputs | 26,632 | 1,086 |
| Net difference between projected and actual earnings on pension plan investments | 45,091 | 0 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 4,626 | 31,630 |
| Contributions subsequent to the measurement date | 0 | N/A |
| Total | 80,188 | 32,716 |

\$0 was 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, 2017. Other amounts reported as deferred inflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, 2016 | |
|-------------------------------------|--------|
| December 31, 2017 | 25,962 |
| December 31, 2018 | 3,884 |
| December 31, 2019 | -0- |
| December 31, 2020 | -0- |
| December 31, 2021 | -0- |
| Thereafter | -0- |

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

Actuarial assumptions – Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA’s Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

| | |
|---|--|
| 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 |
| Discount rate | 7.50 percent |
| Post-retirement benefit increases: | |
| PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic) | 2.00 percent |
| PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve (AIR) |

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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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 actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA’s Board on November 18, 2016 to more closely reflect PERA’s actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

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

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

Female: Mortality improvement projected to 2020 using MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumption changed, effective December 31, 2016 as follows:

Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expense to 7.25 percent per year, compounded annually, net of investment expense.

Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

Real rate of investment return assumption increased from 4.70 percent per year, net of investment expense, to 4.85 percent per year, net of investment expenses.

Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

As of November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | 10 Year Expected Geometric Real Rate of Return |
|---------------------------------|--------------------------|---|
| U.S. Equity – Large Cap | 21.20% | 4.30% |
| U.S. Equity – Small Cap | 7.42% | 4.80% |
| Non U.S. Equity – Developed | 18.55% | 5.20% |
| Non U.S. Equity – Emerging | 5.83% | 5.40% |
| Core Fixed Income | 19.32% | 1.20% |
| High Yield | 1.38% | 4.30% |
| Non U.S. Fixed Income-Developed | 1.84% | 0.60% |
| Emerging Market Debt | 0.46% | 3.90% |
| Core Real Estate | 8.50% | 4.90% |
| Opportunity Fund | 6.00% | 3.80% |
| Private Equity | 8.50% | 6.60% |
| Cash | 1.00% | 0.20% |
| Total | 100.00% | |

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

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

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

Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%

Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service cost for future plan members.

Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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

Benefit payments and contributions were assumed to be made at the end of the month.

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

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2016
(continued)

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 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| Discount Rate | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | 553,595 | 375,457 | 227,940 |

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.

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.

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, 2015 and 2016 were \$1,507, \$1,579, \$1,673, and \$1,513 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, 2016

| | Original <u>Budget</u> | Final <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|--|---------------------------|------------------------|-------------------|---|
| REVENUES | | | | |
| Irrigation Assessment Fees | 6,948,000 | 6,948,000 | 6,958,221 | 10,221 |
| Commercial & Municipal Well Assessment | 127,600 | 127,600 | 119,856 | (7,744) |
| Surface Evaporative Loss Fees | 600 | 600 | 658 | 58 |
| Conservation & Water Lease | 275,610 | 275,610 | 260,609 | (15,001) |
| Investment Gain | - | - | 4,177 | 4,177 |
| Interest Income | 36,000 | 36,000 | 19,025 | (16,975) |
| Total Revenues | <u>7,387,810</u> | <u>7,387,810</u> | <u>7,362,546</u> | <u>(25,264)</u> |
| EXPENDITURES | | | | |
| Salaries & Wages | 143,061 | 143,061 | 126,161 | 16,900 |
| Employee Benefits | 32,431 | 32,431 | 43,410 | (10,979) |
| Board and Director Expenses | 60,000 | 60,000 | 40,112 | 19,888 |
| Office | 23,281 | 23,281 | 17,209 | 6,072 |
| Engineering Fees | 66,000 | 66,000 | 40,043 | 25,958 |
| Legal Fees | 234,000 | 234,000 | 137,320 | 96,680 |
| Accounting & Auditing | 30,000 | 30,000 | 24,206 | 5,795 |
| Lobbyist Fees | 51,000 | 51,000 | 51,198 | (198) |
| Other Professional Fees | 31,000 | 31,000 | 21,160 | 9,840 |
| EQIP Contracts | 500,000 | 500,000 | (1,032,819) | 1,532,819 |
| CREP/AWEP Contracts | 1,448,827 | 1,448,827 | 1,178,867 | 269,960 |
| Land & Water Expenses | 39,000 | 39,000 | 21,259 | 17,741 |
| Leases | 5,755,284 | 5,755,284 | 29,413 | 5,725,871 |
| Interest | 914,226 | 914,226 | 895,562 | 18,664 |
| Operating Expenses | 594,968 | 594,968 | 381,499 | 213,469 |
| Pipeline Revegetation | 855,000 | 855,000 | - | 855,000 |
| County Treasurer's Fees | 208,440 | 208,440 | 204,270 | 4,170 |
| Lease of Water Rights | - | - | 250,000 | (250,000) |
| Depreciation | - | - | 393,166 | (393,166) |
| Total Expenses | <u>10,986,518</u> | <u>10,986,518</u> | <u>2,822,034</u> | <u>8,164,483</u> |
| Revenues over (under) Expenses | (3,598,708) | (3,598,708) | 4,540,512 | 8,139,219 |
| Beginning Retained Earnings | 8,595,717 | 8,595,717 | 32,336,884 | 23,741,167 |
| Prior Year Adjustment | - | - | - | - |
| Ending Retained Earnings | <u>4,997,010</u> | <u>4,997,010</u> | <u>36,877,396</u> | <u>31,880,386</u> |

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

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|---------------|---------------|---------------|---------------|
| Proportion (percentage) of the collective net pension liability | 0.0278046411% | 0.0343911300% | 0.0325339888% | 0.0278232730% |
| Proportionate share of the collective net pension liability | 375,457 | 378,846 | 291,605 | 228,963 |
| Covered payroll | 168,531 | 195,315 | 178,776 | 148,440 |
| Proportionate share of the net pension liability as a percentage of its covered employee payroll | 44.89% | 51.56% | 61.31% | 64.83% |
| Plan fiduciary net position of the total pension liability | 73.60% | 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>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contributions | 21,370 | 24,766 | 22,605 | 18,822 | 17,515 | 17,291 | 15,421 |
| Contributions in relation to the statutorily required contribution | <u>21,370</u> | <u>24,766</u> | <u>22,605</u> | <u>18,822</u> | <u>17,515</u> | <u>17,291</u> | <u>15,421</u> |
| Contribution deficiency (excess) | 0 | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Covered-employee payroll | 168,531 | 195,315 | 178,776 | 148,440 | 138,131 | 136,363 | 121,615 |
| Contributions as a percentage of covered-employee payroll | 12.68% | 12.68% | 12.64% | 12.68% | 12.68% | 12.68% | 12.68% |

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