

LEFT HAND WATER DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**LEFT HAND WATER DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Left Hand Water District
Niwot, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of Left Hand Water District (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 District'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 District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, the schedule of the District's proportionate share of the net pension liability and schedule of pension contributions, and the schedule of the District's proportionate share of the net OPEB liability and schedule of OPEB contributions 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures – budget to actual (budget basis) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues and expenditures – budget to actual (budget basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Left Hand Water District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Left Hand Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, Colorado
May 8, 2020

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is designed to provide a narrative overview of the financial condition and operating results of the Left Hand Water District ("the District"). This MD&A should be read in conjunction with the District's basic financial statements, notes to the financial statements, and supplementary information (beginning on page 1).

The District provides treated water to customers primarily in unincorporated areas of Boulder and Weld Counties. The District is generally bounded by the cities of Boulder, Lafayette, and Erie to the south; the City of Longmont to the north; I-25 to the east; and the foothills to the west.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado, governed by Colorado Revised Statutes Title 32 Special Districts, engaged only in a business-type activity. As an enterprise fund, the District's financial statements include:

Statements of Net Position – report the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating. (See page 1).

Statements of Revenues, Expenses and Changes in Net Position – report the District's operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions. (See page 3).

Statements of Cash Flows – report the District's cash flows from operating, investing, capital and non-capital activities. (See page 4).

Notes to the Financial Statements (See page 6) – provide additional required disclosures that are essential to a full understanding of the data provided in the financial statements.

Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (See page 48) – reports the budgeted revenue and expenditure activities as compared with actual activities. Though this schedule is not required by GAAP to be part of the audited financial statements, it is added for review as other supplementary information.

2019 HIGHLIGHTS

- As of December 31, 2019, total net position was \$127,117,830, representing an increase of \$12,212,652 (10.6%), when compared to 2018.
- Operating revenues were \$9,733,414 during 2019, an 8.7% increase as compared to 2018.
- In 2019, total operating expenses net of depreciation/amortization were \$5,271,111, which is a decrease of \$721,090 from 2018.
- Total capital contributions were \$10,401,077 in 2019, compared to \$3,921,249 in 2018 – an increase of \$6,479,828 (165.2%).
- Long-term debt (net of current maturities) increased to \$34,100,299 as of December 31, 2019, as compared with the December 31, 2018, balance of \$28,932,751.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – STATEMENTS OF NET POSITION

As noted earlier, net position may serve over time as a useful indicator of a governmental entity's financial position. The following table presents condensed information from the Statements of Net Position as of December 31, 2019, 2018, and 2017.

	2019	2018	2017
Current Assets	\$ 29,891,245	\$ 28,247,708	\$ 28,658,044
Capital Assets (net of depreciation)	<u>136,905,253</u>	<u>121,837,290</u>	<u>112,757,357</u>
Total Assets	166,796,498	150,084,998	141,415,401
Deferred Outflows of Resources	884,221	563,156	985,574
Current Liabilities	2,614,186	2,713,121	2,702,250
Non-Current Liabilities	<u>37,862,504</u>	<u>32,404,738</u>	<u>28,617,426</u>
Total Liabilities	40,476,690	35,117,859	31,319,676
Deferred Inflows of Resources	86,199	625,117	86,904
Invested in Capital Assets, net of related debt	102,853,350	94,288,265	85,994,788
Restricted	1,551,008	1,580,257	626,702
Unrestricted	<u>22,713,472</u>	<u>19,036,656</u>	<u>24,372,905</u>
Total Net Position	<u>\$ 127,117,830</u>	<u>\$ 114,905,178</u>	<u>\$ 110,994,395</u>

Total Net Position increased in 2019 by just over \$12.2 million (10.6%) from the results of operations and capital contributions.

Total Non-Current Liabilities increased by almost \$5.5 million in 2019. This includes approximately \$6.7 million in funds drawn on the Colorado Water Conservation Board (CWCB) Water Project Loan Program loan to fund the District's proportionate share of construction costs for the Southern Water Supply Project II (SWSP II). Principal payments of just under \$1.7 million were made on previously-existing loans.

The District's proportionate share of the Colorado Public Employers' Retirement Association (PERA)'s net pension liability increased by approximately \$272,000 in 2019. Additionally, the District's proportionate share of PERA's net unfunded liability for Other Postemployment Benefits (OPEB) increased by approximately \$1,500.

Capital Assets represent the largest portion of the District's assets (82.1%) and increased by a net amount of over \$15 million during 2019. Approximately \$4.3 million of that increase was purchases of additional units of Colorado-Big Thompson (CBT) water. Additional detail regarding acquisitions and construction can be found on the next page.

Unrestricted Net Position is the portion of Net Position that can be used to finance day-to-day operations without external constraints of debt covenants, legislation or other legal requirements. As of December 31, 2019, Unrestricted Net Position was \$3.7 million higher than at December 31, 2018.

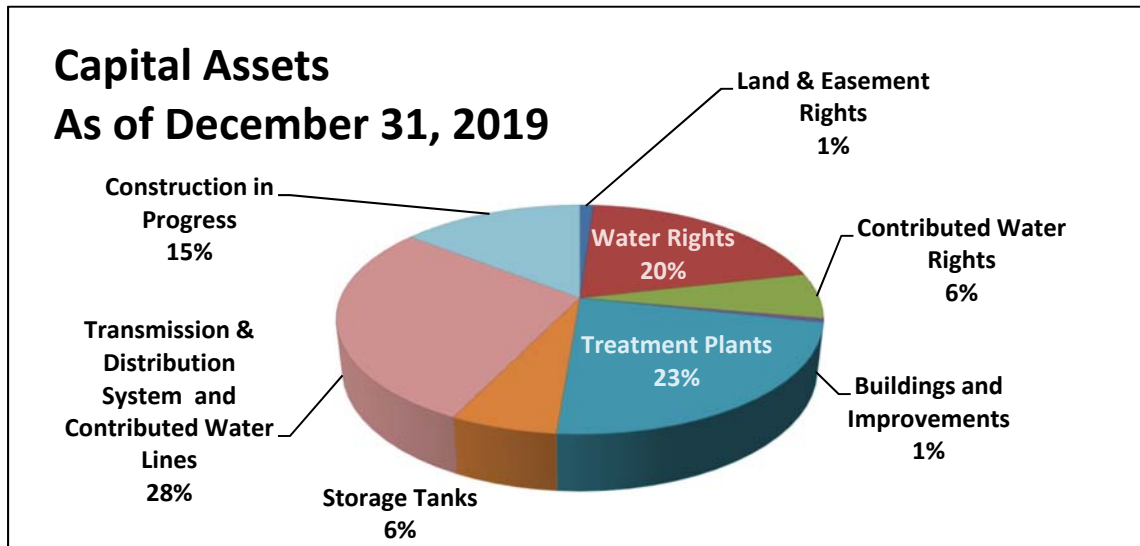
**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL ASSETS

The following table presents a condensed review of capital assets, net of accumulated depreciation, as of December 31, 2019, 2018, and 2017.

	2019	2018	2017
Land & Easement Rights	\$ 1,452,190	\$ 1,452,190	\$ 1,403,468
Water Rights	27,769,671	23,435,846	20,840,546
Contributed Water Rights	8,759,149	8,399,149	8,342,149
Buildings & Improvements	752,614	759,096	778,786
Treatment Plants	31,167,723	32,093,651	33,019,580
Storage Tanks	8,153,841	5,217,486	5,431,790
Raw Water Reservoirs	97,531	119,452	141,372
Transmission & Distribution System	38,589,705	39,603,780	34,679,772
Office Equipment & Furnishings	20,962	26,028	37,048
Equipment & Vehicles	476,120	355,532	264,623
Construction in Progress	<u>19,665,747</u>	<u>10,375,080</u>	<u>7,818,223</u>
Total Capital Assets	<u>\$ 136,905,253</u>	<u>\$ 121,837,290</u>	<u>\$ 112,757,357</u>

Capital acquisitions in 2019 included replacement of one of the treated water tanks at the Spurgeon Water Treatment Plant (WTP) as well as several new vehicles in the operations departments. The District also purchased 109 units of CBT water at a total cost of \$4,333,825. The District's required contribution for continued participation in the Northern Integrated Supply Project (NISP), included in Construction in Progress (CIP), was \$1,102,500. Also included in CIP is the District's proportionate share of the construction costs of the SWSPHII project of approximately \$6.85 million during 2019.



Of the just over \$12.7 million allocated for construction projects in the 2019 budget, almost \$10.4 million was expended. The sole water line project in progress during 2019 was a multi-year project to upgrade the transmission line along Weld County Road 7. Phase 1 of the project reached substantial completion and design on phase 2 was initiated. Construction on phase 2 is planned for 2020, with phase 3 planned for 2021. Design work was also initiated on emergency interconnections with the City of Longmont, and a new PRV in the Del Camino pressure zone was constructed. The District also began construction on the connection to the SWSPHII pipeline at the Dodd WTP, which includes adding hydroelectric power generation. That project is scheduled for completion in 2020.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

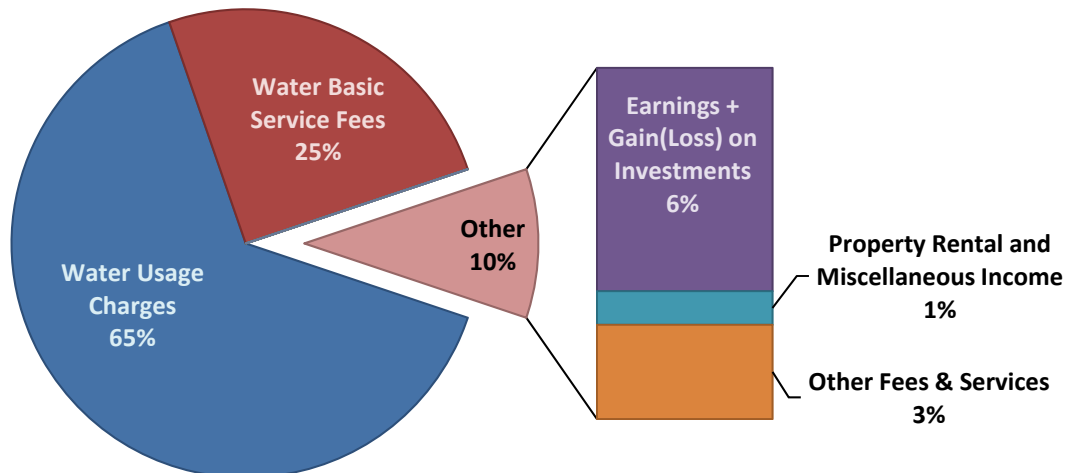
CONDENSED COMPARATIVE FINANCIAL INFORMATION – REVENUES

The following table presents a condensed review of revenues for the years ended December 31, 2019, 2018, and 2017.

	2019	2018	2017
Operating Revenues			
Water Usage Charges	\$ 6,836,125	\$ 6,282,615	\$ 6,151,823
Water Basic Service Fees	2,663,299	2,397,227	2,289,196
Other Fees & Services	127,132	134,619	107,856
Inventory Sales	23,668	11,834	71,445
Water Lease Income	<u>83,190</u>	<u>124,030</u>	<u>78,790</u>
Total Operating Revenues	9,733,414	8,950,325	8,699,110
Non-Operating Revenues (Expenses)			
Earnings on Investments	559,312	410,664	422,933
Interest Expense	(477,571)	(454,448)	(334,437)
Property Rental and Miscellaneous Income	104,185	102,453	113,404
Property Management Expense	(49,203)	(44,627)	(52,936)
Unrealized Gain/(Loss) on Investments	129,767	3,823	(55,801)
Realized Gain/(Loss) on Investments	2,527	1,014	(711)
Gain/(Loss) on Disposition of Capital Assets	---	525	(432,915)
Disaster Recovery Grants	---	---	59,393
Other Non-Operating Income	<u>57,804</u>	<u>49,061</u>	<u>4,528</u>
Total Non-Operating Revenues	<u>326,821</u>	<u>68,465</u>	<u>(276,542)</u>
TOTAL REVENUES	<u>\$ 10,060,235</u>	<u>\$ 9,018,790</u>	<u>\$ 8,422,568</u>

Operating revenues in 2019 were 2.3% below the amount budgeted. Water Usage Charges and Water Basic Service Fees were under budget by 3.9% and 0.7%, respectively, but other components of Operating Revenue were over budget. Total revenues increased by just over \$1 million (11.5%) from 2018.

2019 REVENUES BY SOURCE



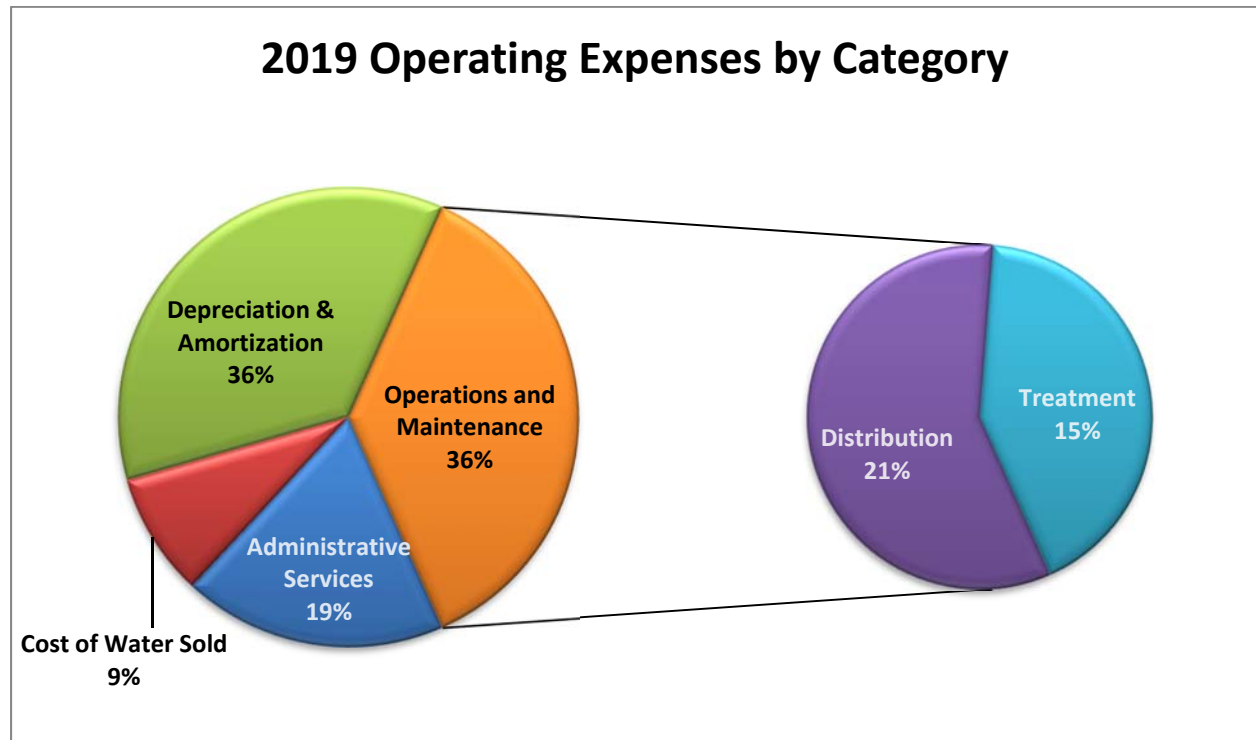
**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – OPERATING EXPENSES

The following table presents a condensed review of operating expenses for the years ended December 31, 2019, 2018, and 2017.

	2019	2018	2017
Operating Expenses			
Operation and Maintenance	\$ 3,023,895	\$ 2,775,761	\$ 2,598,363
Administrative Services	1,531,532	2,514,942	2,359,066
Cost of Water Sold	715,684	701,498	737,493
Depreciation & Amortization	<u>2,977,549</u>	<u>2,787,178</u>	<u>2,720,724</u>
TOTAL OPERATING EXPENSES	<u>\$ 8,248,660</u>	<u>\$ 8,779,379</u>	<u>\$ 8,415,646</u>

Net of depreciation and other items not included in the budget, total operating expenses for 2019 were under budget by 9%. Operation and maintenance costs increased by 8.9% over 2018. Expenditures within the Distribution Department increased by approximately 20%, while the Treatment Department saw an increase of under 1%. The primary factors contributing to the increase in the Distribution Department are increased Repairs and Maintenance costs due to unplanned repairs for leaks or other system repairs and additional costs to meet statutory requirements or new industry best practices. Administrative Services expenditures were lower in 2019 by almost \$1 million, mostly as a result of a credit to pension expense from the District's participation in PERA. Notwithstanding pension expense, Administrative Services expenses rose by approximately 4.4% from 2018 to 2019. Cost of Water Sold increased by 2%, primarily due to continued increases to the cost of assessments on CBT water units.



**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL CONTRIBUTIONS

The following table presents a condensed review of capital contributions for the years ended December 31, 2019, 2018, and 2017.

	2019	2018	2017
Customer Tap Fees	\$ 9,015,910	\$ 3,281,002	\$ 7,041,490
Contributed Water Rights	360,000	28,500	---
Contributed Line Fee/Fire System	439,520	169,040	480,775
Contributions in Aid of Construction	---	---	---
Contributed Assets	<u>585,647</u>	<u>442,707</u>	<u>936,612</u>
TOTAL CAPITAL CONTRIBUTIONS	<u>\$10,401,077</u>	<u>\$3,921,249</u>	<u>\$8,458,877</u>

Contributed capital can consist of several components: tap fees paid by customers who purchase new or upgrade existing water taps for their property; water rights contributed as part of a tap purchase; and contributions of fire systems, water lines, or water systems. In 2019, 96 taps were sold, upgraded, or completed, vs. 163 in 2018. The District received 9 units of CBT water rights during 2019, which were recorded at the District's cash-in-lieu price of \$40,000 per unit.

Capital contributions can also result from execution of contracts for multiple taps/subdivisions, in which case payment for 50% of the Plant Investment and Water Requirement Fees, and 100% of any applicable line fees, are collected upon execution. In 2019, the District executed four new subdivision agreements for which initial payments were received. As of December 31, 2019, the District had five subdivision contracts active, representing 133 additional single family equivalent taps.

Contributed Line Fees are collected as part of tap fees in certain areas of the District. In certain cases, developers or private parties pay for or contribute to the extension or upgrade of water lines in order to complete projects; in other cases the District absorbs the costs. In either case, the District may collect a reimbursement amount ("line fee") when new taps are paid by customers who benefit from the new or upgraded line, plus an interest component. As applicable, the District then reimburses the appropriate developer or private party a portion of the line fee. In 2019, the line fees collected on new taps totaled \$439,520, the vast majority of which were in the Eastern Zone Transmission (EZT) area.

Contributed assets are most typically water lines in a subdivision that are installed by a developer and then contributed to the District. In such cases, contributions are recorded at the cost of completion as reported to the District by the developer or property owner. In 2019, water lines were received by the District in the Wyndham Hill subdivision as well as the new Dreamer's Ridge, Victory Valley, and Fox Chase subdivisions.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

STRATEGIC PLANNING AND CAPITAL IMPROVEMENT PROGRAM

In 2007, the District completed a Comprehensive Water System Strategic Plan encompassing four major areas: Treated Water Transmission & Distribution Capital Improvement Program; Dodd Water Treatment Plant Upgrade and Expansion; Water Resources Planning and Development; and Financial Master Plan. The District completed the Dodd Water Treatment Plant Upgrade and Expansion in 2017; the Treated Water Master Plan and the Financial Master Plan were updated in 2014 and will continue to be updated periodically. The District held a Strategic Planning Retreat in March 2018 to review and discuss the various documents, plans and programs that make up the ongoing comprehensive strategic planning processes of the District.

The Treated Water Master Plan uses demand projections, computer modeling and phased programs of needed facility improvements within the District's service area to provide recommended improvements to the distribution system over 5, 10, 20 years, and system build out scenarios, with probable costs. The District uses the Plan to develop and implement its Capital Improvement Program, which is reviewed and updated annually as part of the budget process. Capital and infrastructure needs are planned for over the succeeding 10 years, with ongoing plans to finance the projects. Projects are segregated between funded and unfunded statuses. Unfunded projects relating to Transmission & Distribution lines that benefit future development may require significant developer participation.

The District completed a Raw Water Master Plan in 2003 to anticipate future infrastructure improvements needed for the delivery of raw water supplies. To meet the anticipated future need for additional raw water supplies and delivery systems, the District is participating in two projects through the Northern Colorado Water Conservancy District (NCWCD): the Northern Integrated Supply Project (NISP) and the Southern Water Supply Project II (SWSP II). The District is participating in the NISP project for a total of 4,900 additional acre-feet of annual yield to help meet anticipated future needs. It is anticipated that the District's allocation of remaining cost in the project, currently estimated at \$139.5 million, will be funded through a combination of future debt and Water Acquisition Reserve funds. The Water Acquisition Reserve Fund is a Board-Designated fund maintained for water rights acquisition and is funded via cash-in-lieu payments as part of tap fee revenue. The reserve balance as of December 31, 2019, was \$4,686,926.

The SWSP II project will deliver raw water from Carter Lake to the Dodd Water Treatment Plant. Construction of the pipeline began in summer 2018; the District's total proportionate share of the construction costs is estimated to be \$10.1 million. In February 2018 the District entered into a contract with the Colorado Water Conservation Board (CWCB) for a loan through its Water Project Loan Program to fund up to \$10 million of the District's costs. In 2019, \$6.7 million of those funds were drawn; as of the end of 2019 the majority of funds had been expended, with a small percentage to be expended in 2020 when the project is projected to be completed. Should there be any amount required in excess of the loan proceeds available, the remainder will be paid from operations or unrestricted reserves.

In order to meet future capital and infrastructure replacement needs, the District maintains a Board-Designated Replacement Fund Reserve. The reserve is funded from operating and non-operating revenue as well as carryover funds. In 2019 the reserve funding was \$2,000,000, based on analysis using the District's Water Rate Model and Capital Improvement Plan. The Board of Directors approved increasing the funding level for 2020 to \$2,200,000. Capital improvement projects designated as Replacement Fund Projects are paid for from the reserve, a summary of the funding and use of which is shown in the following table.

REPLACEMENT FUND RESERVE SUMMARY 1995-2019	
Replacement Fund Balance – December 31, 2018	\$ 4,287,271
Funding from Operations/Carryover	2,000,000
Projects Funded via Replacement Fund Reserve	(2,825,208)
Replacement Fund Balance – December 31, 2019	\$ 3,462,063

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

STRATEGIC PLANNING AND CAPITAL IMPROVEMENT PROGRAM (CONTINUED)

In 2019, the District Board of Directors approved creation of a Board-Designated Capital Fund, which is to be funded from the Plant Investment Fee and Line Fee components of customer tap fees. The Fund will be utilized to address infrastructure projects necessary to meet anticipated growth. The Board also approved transferring \$5 million from Unrestricted Reserves as an initial balance for the fund, which was effected in January, 2020.

DEBT AND OTHER FINANCIAL OBLIGATIONS

The District's long-term debt (net of current maturities and unamortized premiums) was \$34,100,299 and \$28,932,751 at December 31, 2019, and December 31, 2018, respectively. These balances are comprised of two previously-existing loans from the Colorado Water Resources and Power Development Authority (CWR&PDA) – one from the Drinking Water Revolving Fund (DWRF) and one from the Small Hydropower Loan Program (SHLP) – as well as the previously-existing loan from the Colorado Water Conservation Board (CWCB).

The District's largest long-term liability is a 2014 Drinking Water Revolving Fund (DWRF) loan. The loan has a 20-year term; total annual debt service is approximately \$1.825 million.

The District also had a 1999 DWRF loan for which the final principal payment of \$219,491 was made in May 2019.

As noted previously, the District entered into a loan with the CWCB through their Water Project Loan Program in the amount of \$10,000,000 to fund participation in the Southern Water Supply Project II. The loan will be drawn down as construction progresses, with the repayment deferred until after completion of the project. Once principal payments begin, which is expected to be in spring 2020, the total annual debt service is anticipated to be just over \$650,000.

As also noted previously, the District also entered into a loan with the CWR&PDA to fund the District's connection to the SWSP II pipeline, which will include hydropower generation. The loan has a total amount of \$3,100,000. Total annual debt service is approximately \$192,000.

All of the District's loans are secured by the District's Net Revenues as defined in those contracts.

SUBSEQUENT EVENTS

In March, 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic. The pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the District, it may impact various aspects of operations and financial results in 2020, but the effects are currently unknown and cannot be reasonably estimated. Management believes the District is taking appropriate actions to mitigate the negative impact.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

ECONOMIC AND OTHER FACTORS

Water usage revenue typically accounts for approximately 70% of the District's Operating Revenue and is thus a major factor in the District's economic condition. It is also, however, largely driven by weather and environmental factors beyond the District's control. In its financial forecasting and planning, the District utilizes a comprehensive rate and financial forecasting model based on historical averages of water usage. This water rate model is consistent with industry standards as prescribed by the American Water Works Association (AWWA) and implements a rate structure strategy to provide adequate funds to pay current operating expenses, capital costs, and debt service requirements, as well as to accumulate funds for future operating and repair or replacement costs and new capital projects.

Tap fee revenue is another key component of the District's revenue that is directly impacted by external factors such as the overall housing market and general economic conditions. If the housing market and overall economy continue recent growth patterns, or if they should falter or endure contractions, it is expected tap fee revenues would increase or decline commensurately.

The 2020 budget is based on projected growth in water revenue and includes an increase of 8% to basic service fees and increases of 8-12% to volume charges. The budget for tap fee revenue projects a decrease from the amount budgeted in 2019 of 46.6%, based on the number of contracted payments expected as well as anticipated new subdivision contracts.

Both water utility and tap fee revenues are significantly impacted by the annual rate and extent of future growth and development within the District. Those growth rates will be materially affected by management, zoning, and land use procedures and policies established by surrounding governmental entities such as Boulder and Weld Counties; the Towns of Frederick, Firestone, and Erie; and the Cities of Longmont, Boulder and Lafayette. Each of these entities controls development in the areas under its jurisdiction, and their decisions and actions are outside the control of the District. District staff works as appropriate with each of these entities to ensure productive, cooperative, and effective long-range planning.

FINANCIAL CONTACT

The District's financial statements are designed to present users (customers, citizens, creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please contact Victoria Santos, CPA, Finance Manager, Left Hand Water District, PO Box 210, Niwot, CO 80544, 303-530-4200.

BASIC FINANCIAL STATEMENTS

**LEFT HAND WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2019	2018
Current Assets		
Cash and Cash Equivalents	\$ 8,137,078	\$ 8,152,592
Restricted Cash and Cash Equivalents	3,753,612	5,210,519
Investments	13,132,209	12,093,151
Receivables	3,749,325	1,611,792
Other Restricted Assets	946,116	946,116
Inventory - Supplies	129,574	156,435
Prepaid Expenses and Other Assets	43,331	77,103
Total Current Assets	29,891,245	28,247,708
Non-Current Assets		
Capital Assets		
Land, Easements and Water Rights	37,981,010	33,287,185
Construction in Progress	19,665,745	10,375,079
Transmission and Distribution System Facilities	74,975,547	71,232,203
Vehicles and Equipment	37,758,489	37,734,593
Furniture and Equipment	1,375,757	1,233,570
Water Service Agreement	274,353	277,237
	1,500,000	1,500,000
Total Capital Assets	173,530,901	155,639,867
Less: Accumulated Depreciation	(36,625,648)	(33,802,577)
Capital Assets, Net	136,905,253	121,837,290
Total Non-Current Assets	136,905,253	121,837,290
Total Assets	166,796,498	150,084,998
Deferred Outflows of Resources		
Related to Pension	848,292	529,953
Related to OPEB	35,929	33,203
Total Deferred Outflows of Resources	884,221	563,156

The accompanying notes are an integral part of these financial statements.

**LEFT HAND WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities		
Accounts Payable	612,145	617,052
Retainage Payable	131,662	73,688
Accrued Expenses	211,416	209,325
Current Portion of Long-Term Debt	1,658,963	1,813,056
Total Current Liabilities	2,614,186	2,713,121
Non-Current Liabilities		
Accrued Compensated Absences	60,084	43,678
Net Pension Liability	3,415,481	3,143,227
Net OPEB Liability	286,640	285,082
Long-Term Debt (Net of Current Maturities and Unamortized Premium)	34,100,299	28,932,751
Total Non-Current Liabilities	37,862,504	32,404,738
Total Liabilities	40,476,690	35,117,859
Deferred Inflows of Resources		
Related to Pension	76,237	620,348
Related to OPEB	9,962	4,769
Total Deferred Inflows of Resources	86,199	625,117
NET POSITION		
Net Investment in Capital Assets	102,853,350	94,288,265
Restricted		
Debt Service	604,892	634,141
Capital Projects	946,116	946,116
Unrestricted	22,713,472	19,036,656
TOTAL NET POSITION	\$ 127,117,830	\$ 114,905,178

The accompanying notes are an integral part of these financial statements.

**LEFT HAND WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
OPERATING REVENUES		
Water - Treated	\$ 9,499,423	\$ 8,679,842
Service Revenue	127,133	134,619
Other Income	106,858	135,864
Total Operating Revenues	9,733,414	8,950,325
OPERATING EXPENSES		
Depreciation	2,977,549	2,787,178
Salaries and Wages	2,006,788	1,794,015
Repairs and Maintenance	1,328,079	1,192,341
Employee Benefit and Taxes	131,165	1,179,031
Cost of Water Sold	715,684	701,498
Utilities	320,198	316,601
Office	206,264	164,445
Contract Support Service	40,180	96,334
Insurance	124,660	121,109
Other	240,556	269,183
Professional Fees	130,184	133,312
Employee Development	27,353	24,332
Total Operating Expenses	8,248,660	8,779,379
Operating Income	1,484,754	170,946
NON-OPERATING REVENUES (EXPENSES)		
Earnings on Investments	559,312	410,664
Realized and Unrealized Net Gain (Loss) on Investments	132,294	4,837
Property Rental and Miscellaneous Income	104,185	102,453
Gain (Loss) on Disposition of Capital Assets	-	525
Miscellaneous Non-Operating Income	57,804	49,061
Interest Expense	(477,571)	(454,448)
Property Management Expense	(49,203)	(44,627)
Total Non-Operating Revenues (Expenses)	326,821	68,465
Income Before Contributions	1,811,575	239,411
CAPITAL CONTRIBUTIONS	10,401,077	3,921,249
Change in Net Position	12,212,652	4,160,660
Net Position - Beginning of Year	114,905,178	110,744,518
NET POSITION - END OF YEAR	\$ 127,117,830	\$ 114,905,178

The accompanying notes are an integral part of these financial statements.

**LEFT HAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 9,669,381	\$ 8,962,390
Cash Paid to Suppliers	(3,098,068)	(2,732,907)
Cash Paid to Employees	(2,733,288)	(2,516,247)
Net Cash Flows Provided by Operating Activities	3,838,025	3,713,236
CASH FLOWS FROM NONCAPITAL ACTIVITIES		
Property Rental and Miscellaneous Income	161,989	151,514
Property Management Expense	(49,203)	(44,627)
Net Cash Flows Provided by Noncapital Activities	112,786	106,887
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	7,378,929	5,091,042
Acquisition and Construction of Capital Assets	(17,041,880)	(11,418,036)
Funds Held for Future Construction Costs	-	(946,116)
Cash Received from Sale of Capital Assets	-	525
Proceeds from Debt Issuance	6,714,875	5,754,973
Repayment of Bonds and Loans	(1,685,466)	(1,840,384)
Interest Paid	(442,238)	(302,583)
Net Cash Flows Used by Capital and Related Financing Activities	(5,075,780)	(3,660,579)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	6,734,915	4,590,000
Purchase of Investments	(7,641,679)	(3,746,885)
Earnings on Investments	559,312	410,664
Net Cash Flows Provided (Used) by Investing Activities	(347,452)	1,253,779
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,472,421)	1,413,323
Cash and Cash Equivalents - Beginning of Year	13,363,111	11,949,788
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 11,890,690	\$ 13,363,111

The accompanying notes are an integral part of these financial statements.

**LEFT HAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating Income	\$ 1,484,754	\$ 170,946
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation	2,977,549	2,787,178
Changes in Operating Assets and Liabilities:		
Receivables	(61,033)	11,765
Net Pension Liability	272,254	(493,464)
Deferred Outflows Related to Pension	(318,339)	455,621
Deferred Inflows Related to Pension	(544,111)	533,444
Net OPEB Liability	1,558	35,205
Deferred Outflows Related to OPEB	(2,726)	(33,203)
Deferred Inflows Related to OPEB	5,193	4,769
Inventory - Supplies	26,861	67,867
Accrued Liabilities	16,406	(22,442)
Prepaid Expenses and Other Assets	(13,744)	3,672
Accounts Payable and Accrued Expenses	(6,597)	191,878
	<u>\$ 3,838,025</u>	<u>\$ 3,713,236</u>
Net Cash Flows Provided by Operating Activities		
Noncash Investing, Capital and Financing Activities		
Capital Assets Contributed to the District	\$ 945,648	499,707
Capital Assets Acquired with Accounts and Retainage Payable	61,755	(58,032)
Amortization of Debt Premium	15,954	19,428
Unrealized (Gain) Loss on Investments	(132,294)	(4,837)

The accompanying notes are an integral part of these financial statements.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Form of Organization

Left Hand Water District (the District) is organized under the provisions of Section 32-1-305(6) of the Colorado Revised Statutes (CRS). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District's significant accounting policies are described below.

Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
2. Fiscal dependency on the primary government and there is potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an "other stand-alone government."

Basic Financial Statements

The District is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statement of net position.

Revenues and expenses are recorded in the accounting period in which they are earned or incurred and they become measurable. Net position is segregated into amounts: Net investment in capital assets, restricted for debt service and capital projects, and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the Board) in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues.

The budget process timeline is as follows:

1. No later than October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at regular Board meetings to obtain customers' comments.
3. Prior to December 31, the budget is legally adopted by the Board.
4. Unused appropriations lapse at the end of each year.

The fiscal year 2019 appropriated expenditures for the District were \$49,917,140.

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

The District's investments in marketable debt and equity securities are carried at fair value plus accrued interest with net appreciation or depreciation on investments. Amounts invested in certificates of deposit, with original maturities of greater than three months, are carried at fair value, including accrued interest. ColoTrust is measured at net asset value.

Allowance for Doubtful Accounts

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2019 or 2018, based on historical collection experience.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenues are recognized when water is delivered to the customer, as measured at the meter. Metered water accounts are read and billed monthly on 30 day cycles.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Inventories

Inventories, consisting primarily of operating supplies for water meter repair and installation, have been valued at cost, using the average cost method of accounting.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements. Prepayments are recorded using the consumption method where services are allocated over appropriate service periods.

Other Restricted Assets

Certain payments for future construction costs are recorded as other restricted assets in the financial statements.

Capital Assets

Capital Assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at acquisition cost or estimated acquisition cost if actual acquisition cost is not available. Donated capital assets are valued at their estimated acquisition cost on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed when incurred.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Description:</u>	<u>Estimated Lives</u>
Transmission and Distribution System	39-50 years
Facilities	10-40 years
Vehicles and Equipment	5-10 years
Furniture and Equipment	5-10 years

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The District entered into a water service agreement with Central Weld County Water District (CWCWD) on November 17, 1994. CWCWD will provide treated water to the District via a cross-tie connection. Upon execution of this agreement, the District paid \$1,500,000 to CWCWD. This agreement is in effect for 20 years and may be renewed for successive 10 year terms.)

The cost of the agreement was amortized over the estimated economic life of the agreement. The balance of the unamortized cost at December 31, 2019 and 2018 is \$-0- and \$-0-, respectively.

Debt Issuance Costs

Debt issuance costs are recognized as an expense during the period of issuance.

Deferred Outflow

In addition to assets, the statement of net position will sometimes report separate sections for deferred outflows of resources. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred outflow of resources related to GASB Statement No. 68 and GASB Statement No. 75 has been recorded as of December 31, 2019 and 2018. See Notes 9 and 10 for additional information.

Debt-Related Deferrals

Premiums and discounts and losses on refunding are deferred and amortized to interest expense over the life of the debt using the effective interest method. The net premiums and discounts are presented as an adjustment to the face amount of the debt, while deferred losses on refunding, if any, would be reflected as a deferred outflow of resources.

Accrued Compensated Absences Payable

Obligations associated with the District's vacation policy are recorded as a liability and expense when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is shown as current and long-term liabilities.

The District has recorded a liability of \$187,674 and \$171,268 at December 31, 2019, and 2018, respectively.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report separate sections for deferred inflows of resources. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred inflow of resources related to GASB Statement No. 68 and GASB Statement No. 75 has been recorded as of December 31, 2019 and 2018. See Notes 9 and 10 for additional information.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation of these assets and related debt balances reduce this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restriction imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could be material.

Reconciliation of Budget Based Accounting to GAAP Financial Statements

The District prepares its annual budget on a non-GAAP basis of accounting. Below is a reconciliation from the GAAP basis to the budget basis of accounting:

	2019
Change in Net Position	\$ 12,212,652
Add:	
Debt Proceeds (Budgetary Basis)	8,323,697
Depreciation	2,977,549
Pension and OPEB Expense	(314,352)
Unrealized Loss (Gain) on Investments	(132,294)
Transfers to Governmental Fund	16,941
Less:	
Capital Outlay, Net of Funding from Replacement Reserve	(10,844,023)
Water Reserve Utilization	(5,436,325)
Net Funding from/(to) Water Reserve	693,325
Debt Principal Paid	(1,685,466)
Net Reduction in Tap Fees Receivable	(2,023,245)
Non-Cash Capital Contributions	(945,648)
Employer Contribution Expense	(271,815)
Excess of Revenues over Expenditures (Budgetary Basis)	\$ 2,570,996

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 CASH AND INVESTMENTS

Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act (PDPA) requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State.

The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The fair value of the assets in the pool must be at least 102% of the uninsured deposits.

At December 31, 2019 and 2018, the District had deposits with a financial institution with a carrying amount of \$2,726,246 and \$2,845,114, respectively. The bank balances with the financial institution were \$2,814,770 and \$2,861,182 respectively, which of this amount \$250,000 was covered by federal depository insurance, with the excess in 2019 covered by PDPA.

Investments

The Board of Directors had adopted an investment policy, which specifies investment instruments meeting defined rating, and risk criteria in which the District may invest, which include:

- Direct obligations of the United States with a maximum maturity of five years.
- Obligations of U.S. Government Agencies with a maximum maturity of five years.
- Securities of entities or organizations not listed above, but created by, or authorized to be created by legislation of the U.S. Congress where the issuing agency is subject to control by the federal government.
- General and revenue obligations of any state of the United States, the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental agencies. These securities must be rated in the highest two rating categories by two or more nationally recognized rating agencies in the case of general obligations and the highest rated category in the case of revenue obligations. The period from the settlement date to its maturity shall be no longer than five years.
- The District's own securities including certificates of participation and lease obligations.
- Local government investment pools.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

- Repurchase agreements for any of the U.S. Government and agency securities listed above.
- Reverse repurchase agreements for any of the U.S. Government and agency securities listed above.
- Securities lending agreement, subject to certain statutory conditions including that necessary transfer documents must be transferred to the investing public entity.
- Certain money market funds subject to statutory conditions including: registration of the fund under the federal "Investment Company Act of 1940;" that the fund seeks to maintain a constant share price.
- Certain guaranteed investment contracts rated in one of the two highest rating categories by two or more nationally recognized securities ratings agencies that regularly issue such ratings.
- U.S. dollar denominated corporate or bank security, issued by a corporation or bank organized and operating within the United States; the debt matures within three years; the debt must carry at least two ratings not below "AA- or Aa3" from any nationally recognized rating agency; if the security is a money market instrument such as commercial paper or bankers' acceptance, then it must carry at least two credit ratings from any nationally recognized credit rating agency and must not be rated below "A1, P1, or F1"; and the book value of the local government's investment in this type of debt shall at no time exceed 50% of the government's investment portfolio, or if five percent of the book value of the debt is issued by a single corporation or bank unless the governing body authorizes a greater percent.

District policy is to hold investments until maturity.

Interest Rate Risk

The District has adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, which is consistent with state statutes. Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase.

Cash deposits and investments held by the District were as follows at December 31:

	2019	2018
Cash on Hand	\$ 1,000	\$ 1,000
Bank Deposits	2,726,246	2,845,114
Local Government Investment Pool	9,163,444	10,516,997
Total Cash and Cash Equivalents	\$ 11,890,690	\$ 13,363,111

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

Investments held by the District at December 31, 2019, were as follows:

	S & P Rating	Moody Rating	Fair Value	Weighted Average Years to Maturity	Concentration of Credit Risk
US Instrumentality					
FHLB	AA+	Aaa	\$ 2,081,790	1.45	15.85%
FANNIE MAE	AA+	Aaa	1,305,091	1.11	9.94%
FREDDIE MAC	AA+	Aaa	499,969	0.75	3.81%
Treasury Notes	AA+	Aaa	3,643,176	1.65	27.74%
FFCB	AA+	Aaa	2,111,707	2.69	16.08%
Municipal Bonds	AA- to AA+	Aa1 to Aa2	893,824	1.98	6.81%
Corporate Notes	A+ to AA+	A1 to Aa3	2,596,652	1.08	19.77%*
Total			<u>\$ 13,132,209</u>		

* No individual issuer compromised 5% or more of the total investments.

Investments held by the District at December 31, 2018, were as follows:

	S & P Rating	Moody Rating	Fair Value	Weighted Average Years to Maturity	Concentration of Credit Risk
U.S. Instrumentality					
FHLB	AA+	Aaa	\$ 1,422,755	1.73	10.83%
FANNIE MAE	AA+	Aaa	1,325,221	0.98	10.09%
FREDDIE MAC	AA+	Aaa	1,959,986	1.26	14.93%
Treasury Notes	AA+	Aaa	2,813,183	1.03	21.42%
Municipal	AA+	Aaa	501,865	2.21	3.82%
Corporate Bonds	A+ to AAA	A1 to Aaa	4,070,141	0.79	33.66%*
Total			<u>\$ 12,093,151</u>		

* No individual issuer compromised 5% or more of the total investments.

Per the 2014 and 2018 loan agreements with Colorado Water Resources and Power Development Authority, the District is required to maintain an operations and maintenance reserve in an amount equal to three months of operating expenses excluding depreciation, but not greater than \$1,250,000. The District had \$1,250,000 in reserves, which is included in restricted cash and cash equivalents at December 31, 2019 and 2018.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value of Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs for an asset or liability.

The District has the following fair value measurements as of December 31, 2019:

Investments by Fair Value Level:	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Government Bonds	\$ 3,643,176	\$ 3,643,176	\$ -	\$ -
Municipal/Provincial Bonds	893,824	-	893,824	-
Government Agencies	5,998,557	-	5,998,557	-
Corporate Bonds	2,596,652	-	2,596,652	-
Total Investments by Fair Value	<u>\$ 13,132,209</u>	<u>\$ 3,643,176</u>	<u>\$ 9,489,033</u>	<u>\$ -</u>

The District has the following fair value measurements as of December 31, 2018:

Investments by Fair Value Level:	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Government Bonds	\$ 3,315,048	\$ 3,315,048	\$ -	\$ -
Government Agencies	4,707,963	-	4,707,963	-
Corporate Bonds	4,070,140	-	4,070,140	-
Total Investments by Fair Value	<u>\$ 12,093,151</u>	<u>\$ 3,315,048</u>	<u>\$ 8,778,103</u>	<u>\$ -</u>

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Local Government Investment Pools

At December 31, 2019 and 2018, the District had invested \$ 9,163,444 and \$10,516,997, respectively, in COLOTRUST, a local government investment pool. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST is exempt from registration with the Securities and Exchange Commission. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities and the highest rated commercial paper. Wells Fargo Bank serves as custodian for COLOTRUST's portfolios and provides services as the depository in connection with direct investments owned by COLOTRUST. COLOTRUST is measured at Net Asset Value (NAV). There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period. Separate financial statements can be obtained by going to www.colotruster.com.

NOTE 3 RESTRICTED ASSETS

Amounts shown as restricted assets have been; 1) restricted by bond indentures to be used for specified purposes; or 2) restricted by allotment contracts for future capital construction. The following is a summary of restricted assets at December 31:

	<u>2019</u>	<u>2018</u>
Debt Service Account		
Paying Current Principal and Interest on Bonds and Loan	\$ 2,042,171	\$ 2,067,639
Funds Held in Escrow for Dodd Water Treatment Plant	-	42,880
Project Loan Account - CWRPDA	1,711,441	3,100,000
Funds Held for Future Construction Costs	946,116	946,116
Total Restricted Assets	<u>\$ 4,699,728</u>	<u>\$ 6,156,635</u>

The following amounts have been designated by Board resolutions to be used for specific purposes. These amounts have been included in unrestricted cash and cash equivalents and unrestricted investments at December 31:

	<u>2019</u>	<u>2018</u>
Board Designated Accounts		
Deferred System Replacement Account	\$ 3,462,063	\$ 4,287,271
Water Acquisition Account	4,686,926	5,380,251
Dental Account	10,000	10,000
Total Designated Accounts	<u>\$ 8,158,989</u>	<u>\$ 9,677,522</u>

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 RECEIVABLES

Receivables consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Water Service	\$ 484,581	\$ 394,955
Meadow Vale Farms Community Association Receivable	56,877	110,132
Developer Agreements Receivable	3,170,000	1,093,500
Other Receivables	37,867	13,205
Current Receivables	<u>\$ 3,749,325</u>	<u>\$ 1,611,792</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land, Easements and Water Rights	\$ 33,287,185	\$ 4,693,825	\$ -	\$ 37,981,010
Construction in Progress	10,375,079	12,504,452	(3,213,786)	19,665,745
Total Capital Assets, Not Being Depreciated	<u>43,662,264</u>	<u>17,198,277</u>	<u>(3,213,786)</u>	<u>57,646,755</u>
Capital Assets, Being Depreciated				
Transmission and Distribution System	71,232,203	3,799,433	(56,089)	74,975,547
Facilities	37,734,593	23,896	-	37,758,489
Vehicles and Equipment	1,233,570	232,661	(90,474)	1,375,757
Furniture and Equipment	277,237	5,031	(7,915)	274,353
Water Service Agreement	1,500,000	-	-	1,500,000
Total Capital Assets, Being Depreciated	<u>111,977,603</u>	<u>4,061,021</u>	<u>(154,478)</u>	<u>115,884,146</u>
Less: Accumulated Depreciation				
Transmission and Distribution System	(26,235,786)	(1,906,220)	56,089	(28,085,917)
Facilities	(4,922,749)	(956,308)	-	(5,879,057)
Vehicles and Equipment	(876,931)	(105,583)	90,474	(892,040)
Furniture and Equipment	(267,111)	(9,438)	7,915	(268,634)
Water Service Agreement	(1,500,000)	-	-	(1,500,000)
Total Accumulated Depreciation	<u>(33,802,577)</u>	<u>(2,977,549)</u>	<u>154,478</u>	<u>(36,625,648)</u>
Total Capital Assets, Being Depreciated, Net	<u>78,175,026</u>	<u>1,083,472</u>	<u>-</u>	<u>79,258,498</u>
Total Capital Assets, Net	<u>\$ 121,837,290</u>	<u>\$ 18,281,749</u>	<u>\$ (3,213,786)</u>	<u>\$ 136,905,253</u>

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land, Easements and Water Rights	\$ 30,586,163	\$ 2,701,022	\$ -	\$ 33,287,185
Construction in Progress	7,818,223	8,547,365	(5,990,509)	10,375,079
Total Capital Assets, Not Being Depreciated	<u>38,404,386</u>	<u>11,248,387</u>	<u>(5,990,509)</u>	<u>43,662,264</u>
Capital Assets, Being Depreciated				
Transmission and Distribution System	64,805,388	6,426,815	-	71,232,203
Facilities	37,724,544	10,049	-	37,734,593
Vehicles and Equipment	1,083,691	172,369	(22,490)	1,233,570
Furniture and Equipment	277,237	-	-	277,237
Water Service Agreement	1,500,000	-	-	1,500,000
Total Capital Assets, Being Depreciated	<u>105,390,860</u>	<u>6,609,233</u>	<u>(22,490)</u>	<u>111,977,603</u>
Less: Accumulated Depreciation				
Transmission and Distribution System	(24,497,155)	(1,738,631)	-	(26,235,786)
Facilities	(3,967,082)	(955,667)	-	(4,922,749)
Vehicles and Equipment	(817,562)	(81,859)	22,490	(876,931)
Furniture and Equipment	(256,090)	(11,021)	-	(267,111)
Water Service Agreement	(1,500,000)	-	-	(1,500,000)
Total Accumulated Depreciation	<u>(31,037,889)</u>	<u>(2,787,178)</u>	<u>22,490</u>	<u>(33,802,577)</u>
Total Capital Assets, Being Depreciated, Net	<u>74,352,971</u>	<u>3,822,055</u>	<u>-</u>	<u>78,175,026</u>
Total Capital Assets, Net	<u>\$ 112,757,357</u>	<u>\$ 15,070,442</u>	<u>\$ (5,990,509)</u>	<u>\$ 121,837,290</u>

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 LONG-TERM DEBT

A summary of the District's long-term debt is as follows:

	2019	2018
1999 Loan - Colorado Water Resources and Power Development Authority \$6,625,000 May 1, 1999, Colorado Water Resources and Power Development Authority (CWR&PDA) Loan, from the State of Colorado Drinking Water Revolving Fund, with principal due in installments of \$349,550 in 2012, increasing to \$446,348 in 2018. A final principal payment of \$219,491 is due May 15, 2019. Interest with effective target rate of 3.85% along with principal and an administrative fee of 0.8% are payable semi-annually on May 15 and November 15. The proceeds were used finance improvements to the Spurgeon Water Treatment Plant and to upgrade the water system.	\$ -	\$ 219,491
2014 Loan - Colorado Water Resources and Power Development Authority \$29,900,336 May 1, 2014, CWR&PDA Loan, from the State of Colorado Drinking Water Revolving Fund, with escalating principal payments throughout the life of the loan. Interest with a rate of 2.80% along with principal and an administrative fee of 0.8% are payable semi-annually on February 1 and August 1. The proceeds were used to finance upgrades to the existing Dodd Water Treatment Plant.	23,043,314	24,433,559
2018 Loan - Colorado Water Resources and Power Development Authority \$3,1000,000 October 23, 2018, CWR&PDA Loan, with escalating principal payments throughout the life of the loan. Interest with a rate of 2.00% along with principal are payable semi-annually on May 1 and November 1. Loan is to finance repairs and maintenance of the domestic water system.	3,024,270	3,100,000
2018 Loan - Colorado Water Conservation Board \$10,000,000 February 22, 2018 State of Colorado acting by and through the Colorado Water Conservation Board, with escalating principal payments through the life of the loan. Interest will accrue at a rate of 2.75%. Payment of principal and interest is not due until completion of the project. Loan is to finance the District's portion of the construction costs for the Southern Water Supply Pipeline (SWSP) II.	9,369,848	2,654,973
Unamortized Bond Premium	194,240	210,194
Total Long-Term Debt	\$ 35,631,672	\$ 30,618,217

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
1999 CWR&PDA Loan	\$ 219,491	\$ -	\$ (219,491)	\$ -	\$ -
2014 CWR&PDA Loan	24,433,559	-	(1,390,245)	23,043,314	1,399,090
2018 CWR&PDA Loan	3,100,000	-	(75,730)	3,024,270	132,283
2018 CWCBC Loan	2,654,973	6,714,875	-	9,369,848	-
Compensated Absences	171,268	133,106	(116,700)	187,674	127,590
Totals	<u>30,579,291</u>	<u>\$ 6,847,981</u>	<u>\$ (1,802,166)</u>	<u>35,625,106</u>	<u>\$ 1,658,963</u>
Current Portion of Long-Term Debt	(1,813,056)			(1,658,963)	
Unamortized Bond Premium	<u>210,194</u>			<u>194,240</u>	
Noncurrent Portion of Long-Term Debt	<u>\$ 28,976,429</u>			<u>\$ 34,160,383</u>	

The annual requirements to amortize all debt outstanding is as follows:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 1,531,373	\$ 482,315	\$ 2,013,688
2021	1,547,876	468,503	2,016,379
2022	1,559,432	454,636	2,014,068
2023	1,575,659	440,863	2,016,522
2024	1,586,940	427,184	2,014,124
2025 - 2029	8,224,397	1,849,466	10,073,863
2030 - 2034	9,306,922	771,209	10,078,131
2035 - 2036	734,985	28,056	763,041
Total	<u>\$ 26,067,584</u>	<u>\$ 4,922,232</u>	<u>\$ 30,989,816</u>

The above principal payments for the 2014 and 2018 loans with Colorado Water Resources and Power Development Authority are for the total amount of debt service payments.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Long term debt for the year December 31, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
1999 CWR&PDA Loan	\$ 683,089	\$ -	\$ (463,598)	\$ 219,491	\$ 219,491
2014 CWR&PDA Loan	25,810,345	-	(1,376,786)	24,433,559	1,390,245
2018 CWR&PDA Loan	-	3,100,000	-	3,100,000	75,730
2018 CWCB Loan	-	2,654,973	-	2,654,973	-
Compensated Absences	193,710	134,240	(156,682)	171,268	127,590
Totals	<u>26,687,144</u>	<u>\$ 5,889,213</u>	<u>\$ (1,997,066)</u>	30,579,291	<u>\$ 1,813,056</u>
Current Portion of					
Long-Term Debt	(1,936,031)			(1,813,056)	
Unamortized Bond Premium	<u>229,622</u>			<u>210,194</u>	
Noncurrent Portion of					
Long-Term Debt	<u>\$ 24,980,735</u>			<u>\$ 28,976,429</u>	

NOTE 7 RATE MAINTENANCE

The District's 2014 loan agreement with the CWR&PDA requires the District to establish, levy and collect rents, rates, and other charges for the products and services provided by the system in an amount sufficient to: (1) meet the operation and maintenance expenses of the system, (2) to comply with all covenants in the loan resolution, and (3) pay at least 110% of debt service on the CWR&PDA loan and any debt service on any indebtedness payable on a parity with the lien or charge of this loan agreement.

The following calculation shows the District's compliance with this loan agreement for the year ended December 31, 2019:

Operating Revenues	\$ 9,733,414
Capital Contributions	9,455,429
Subtotal	<u>19,188,843</u>
Operation and Maintenance Expense	(5,271,111)
Net Revenue as Defined in 2014 CWR&PDA Loan Resolution	<u>\$ 13,917,732</u>
2020 Principal Due	\$ 1,399,090
2020 Interest Due	425,127
Subtotal	<u>1,824,217</u>
	x110%
Required Revenue as Defined in 2014 CWR&PDA Loan Resolution	<u>\$ 2,006,639</u>

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 7 RATE MAINTENANCE (CONTINUED)

The District's 2018 loan agreement with the CWR&PDA requires the District to establish, levy and collect rents, rates, and other charges for the products and services provided by the system in an amount sufficient to: (1) meet the operation and maintenance expenses of the system, (2) to comply with all covenants in the loan resolution, and (3) pay at least 110% of debt service on the CWR&PDA loan and any debt service on any indebtedness payable on a parity with the lien or charge of this loan agreement.

The following calculation shows the District's compliance with this loan agreement for the year ended December 31, 2019:

Operating Revenues	\$ 9,733,414
Capital Contributions	9,455,429
Subtotal	<u>19,188,843</u>
Operation and Maintenance Expense	(5,271,111)
Net Revenue as Defined in 2014 CWR&PDA Loan Resolution	<u>\$ 13,917,732</u>
2020 Principal Due	\$ 132,283
2020 Interest Due	<u>59,827</u>
Subtotal	192,110
	x110%
Required Revenue as Defined in 2018 CWR&PDA Loan Resolution	<u>\$ 211,321</u>
Required Revenue for the 2014 and 2018 CWR&PDA Loans	<u>\$ 2,217,960</u>

NOTE 8 RENTAL INCOME

On June 1, 1999, the District entered into a twelve-month lease for approximately ten acres with barns and other outbuildings with a retired employee. The lease is renewable annually at the lessee's discretion until the lessee either abandons or vacates the premises or upon the twentieth anniversary of the lease, whichever occurs first. The lease was renewed effective June 1, 2019. The lease is renewable annually at the lessee's discretion until the lessee either abandons or vacates the premises or upon the fifth anniversary of the lease, whichever occurs first. The lease agreement requires rent of \$2,400 per year. The District leases cell tower locations to various organizations with initial terms ranging from three to twenty-five years.

The District received \$104,185 and \$102,453 rental income for the years ended December 31, 2019 and 2018, respectively.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 RENTAL INCOME (CONTINUED)

Future minimum rental payments to be received on non-cancellable leases are contractually due as follows:

Year ending December 31,	Amount
2020	\$ 106,639
2021	109,590
2022	113,321
2023	114,141
2024	114,986
Thereafter	1,370,222
Total	<u>\$ 1,928,899</u>

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the LGDTF that were in effect on the LGDTF's December 31, 2018 measurement date are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

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

General Information about the Pension Plan

Plan Description: Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code.

Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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 at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

General Information about the Pension Plan (Continued)

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

Contributions

Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer and § 24-51-413 contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2019
Employer Contribution Rate ¹	10.00%	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%)	(1.02%)
Amount Apportioned to the LGDTF ¹	8.98%	8.98%
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411 ¹	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411 ¹	1.50%	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%	12.68%

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

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$251,577 and \$225,942 for the years ended December 31, 2019 and 2018, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the District reported a liability of \$3,415,481 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017.

Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2018 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2018, the District's proportion was 0.27167 percent, which was a decrease of 0.01063 percent from its proportion measured as of December 31, 2017.

For the years ended December 31, 2019 and 2018, the District recognized a credit to pension expense of (\$338,615) and pension expense of \$721,543, respectively. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 142,812	\$ -
Changes of Assumptions or Other Inputs	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	444,794	-
Changes in Proportion and Difference Between Contributions Recognized and Proportionate Share Shares of Contributions	9,109	76,237
Contributions Subsequent to the Measurement Date	251,577	-
Total	<u>\$ 848,292</u>	<u>\$ 76,237</u>

At December 31, 2018, the District reported a liability of \$3,143,227 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 196,637	\$ -
Changes of Assumptions or Other Inputs	33,204	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	610,968
Changes in Proportion and Difference Between Contributions Recognized and Proportionate Share Shares of Contributions	74,170	9,380
Contributions Subsequent to the Measurement Date	225,942	-
Total	\$ 529,953	\$ 620,348

As of December 31, 2019, \$251,577 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2020	\$ 212,443
2021	40,448
2022	24,785
2023	242,802
Total	\$ 520,478

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Actuarial Assumptions

The December 31, 2017 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 10.45%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00% compounded annually
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA Benefit Structure Hired Prior to December 31, 2006; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

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

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

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Discount Rate

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- 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. 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 middle of the year.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Based on 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% 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%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

For the years ended December 31, 2019 and 2018, the following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate for 2019 and 2018:

	Year ended December 31, 2019		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Discount Rate:			
Proportionate Share of the Net Pension Liability	\$ 5,224,985	\$ 3,415,481	\$ 1,901,654

	Year ended December 31, 2018		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Discount Rate:			
Proportionate Share of the Net Pension Liability	\$ 5,006,142	\$ 3,143,227	\$ 1,590,220

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.

Changes Between the Measurement Date of the Net Pension Liability and December 31, 2019

During the 2019 legislative session, the Colorado General Assembly passed HB 19-1217: PERA Public Employees' Retirement Association Local Government Division Member Contribution Rate. The bill was signed into law by Governor Polis on May 20, 2019, and eliminates the 2 percent increase in the contribution rate for members in the Local Government Division mandated by SB 18-200.

**LEFT HAND WATER DISTRICT
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NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four divisions (State Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Enrollment in PERACare is voluntary and available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others.

Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

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

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$20,238 and \$18,175 for the years ended December 31, 2019 and 2018, respectively.

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

At December 31, 2019 and 2018, the District reported a liability of \$286,640 and \$285,082 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF. At December 31, 2018, the District's proportion was 0.02107%, which was a decrease of 0.00087 percent from its proportion measured as of December 31, 2017.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

For the years ended December 31, 2019 and 2018, the District recognized OPEB expense of \$24,263 and \$24,946, respectively. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 1,040	\$ 436
Changes of Assumptions or other Inputs	2,011	-
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	1,648	-
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Shares of Contributions	10,992	9,526
Contributions Subsequent to the Measurement Date	20,238	-
Total	<u>\$ 35,929</u>	<u>\$ 9,962</u>

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 1,348	\$ -
Changes of Assumptions or other Inputs	-	-
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	4,769
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Shares of Contributions	13,680	-
Contributions Subsequent to the Measurement Date	18,175	-
Total	<u>\$ 33,203</u>	<u>\$ 4,769</u>

\$20,238 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	
2020	\$ 1,491
2021	1,491
2022	1,491
2023	2,636
2024	(1,313)
Thereafter	(67)
Total	<u>\$ 5,729</u>

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 % in the aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.25% for 2018, gradually rising to 5.00% in 2025

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

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Costs for Members	Premiums for Members
Self-Funded Medicare Supplement Plans	\$ 736	\$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

All costs are subject to the health care cost trend rates, as discussed below.

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

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024	5.00%	4.25%
2025+	5.00%	4.25%

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

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

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

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

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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%	

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

For the years ended December 31, 2019 and 2018, the following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>Year ended December 31, 2019</u>		
	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A Trend Rate	4.00%	5.00%	6.00%
Proportionate Share of the Net OPEB Liability	\$ 278,725	\$ 286,640	\$ 295,745

	<u>Year ended December 31, 2018</u>		
	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Proportionate Share of the Net OPEB Liability	\$ 277,238	\$ 285,082	\$ 294,529

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

For the years ended December 31, 2019 and 2018, the following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

	Year ended December 31, 2019		
	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Discount Rate:			
Proportionate Share of the Net OPEB Liability	\$ 320,726	\$ 286,640	\$ 257,501

	Year ended December 31, 2018		
	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Discount Rate:			
Proportionate Share of the Net OPEB Liability	\$ 320,522	\$ 285,082	\$ 254,833

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 11 VOLUNTARY INVESTMENT PROGRAM

Description

Employees of the District who are members of the LGDTF (see Note 9) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available comprehensive annual financial report for the 401(k) Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$19,000 for the calendar year 2019 and \$18,500 for the calendar year 2018). Catch-up contributions up to \$6,000 and \$6,000 for calendar years 2019 and 2018, respectively, were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC 414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the years ended December 31, 2019 and 2018, the 401(k) Plan member contributions were \$137,358 and \$124,654, respectively.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or natural disasters. The District carries commercial insurance for all risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

NOTE 13 RELATED PARTY TRANSACTIONS

The District has an agreement with the Left Hand Ditch Company to transfer and exchange Northern Colorado Water Conservancy District (Big T) water and Left Hand Ditch Company water pursuant to certain restrictive terms and conditions. This agreement is automatically renewable unless terminated by written mutual agreement between the parties. As of December 31, 2019, the District owns approximately 17% of Left Hand Ditch Company water shares.

NOTE 14 TABOR COMPLIANCE

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR excludes from its provisions enterprise funds. Enterprise funds, defined as government-owned businesses authorized to issue revenue bonds and receiving less than

10 percent of their annual revenue in grants from all state and local governments combined, are excluded from certain provisions of TABOR.

Because the District qualifies as an enterprise fund, the District's management believes it is excluded from the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 15 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of its 2020 operations and financial results, but the effects are currently unknown. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

**LEFT HAND WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.2716711225%	0.2823013025%	0.2693165236%	0.2852232665%	0.2848006479%	0.2765334667%
District's Proportional Share of the Net Pension Liability	\$ 3,415,481	\$ 3,143,227	\$ 3,636,691	\$ 3,141,965	\$ 2,552,694	\$ 2,275,652
District's Covered Payroll	1,781,873	1,780,481	1,632,395	1,619,847	1,560,580	1,477,587
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.68%	176.54%	222.78%	193.97%	163.57%	154.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.96%	79.37%	73.65%	76.87%	80.72%	73.55%

* Information for the prior 10 years was not available to report. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

**LEFT HAND WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
2009 – 2018**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily Required Contribution	\$ 251,577	\$ 225,942	\$ 225,765	\$ 206,988	\$ 205,397	\$ 197,882	\$ 187,607	\$ 202,677	\$ 209,505	\$ 193,393	\$ 175,692
Contributions in Relation to the Statutorily Required Contribution	251,577	225,942	225,765	206,988	205,397	197,882	187,358	202,677	209,505	193,393	175,692
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,984,072	\$ 1,781,873	\$ 1,780,481	\$ 1,632,395	\$ 1,619,847	\$ 1,560,580	\$ 1,477,587	\$ 1,598,396	\$ 1,652,250	\$ 1,525,178	\$ 1,385,584
Contributions as a Percentage of Covered Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%

**LEFT HAND WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TEN FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's Proportion of the Net OPEB Liability	0.0210681167%	0.0219361185%	0.0206737052%
District's Proportional Share of the Net OPEB Liability	\$ 286,640	\$ 285,082	\$ 268,042
District's Covered Payroll	1,781,873	1,780,481	1,632,395
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	16.09%	16.01%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.03%	17.53%	16.72%

* Information for the prior 10 years was not available to report. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

**LEFT HAND WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
2010 – 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily Required Contribution	\$ 20,238	\$ 18,175	\$ 18,165	\$ 16,650	\$ 16,522	\$ 15,918	\$ 15,071	\$ 16,304	\$ 16,853	\$ 15,557
Contributions in Relation to the Statutorily Required Contribution	20,238	18,175	18,165	16,650	16,522	15,918	15,071	16,304	16,853	15,557
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,984,072	\$ 1,781,873	\$ 1,780,481	\$ 1,632,395	\$ 1,619,847	\$ 1,560,580	\$ 1,477,587	\$ 1,598,396	\$ 1,652,250	\$ 1,525,178
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

SUPPLEMENTARY INFORMATION

**LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Revenue and Receipts			
Operating Revenue			
Water - Volume Charge	\$ 7,115,280	6,836,124	\$ (279,156)
Water - Basic Service Charge	2,682,450	2,663,299	(19,151)
Other Service Revenue	115,000	150,801	35,801
Total Operating Revenue	<u>9,912,730</u>	<u>9,650,224</u>	<u>(262,506)</u>
Non-Operating Revenue			
Interest Income	370,000	559,312	189,312
Water Lease Income	50,000	83,190	33,190
Property Rental and Miscellaneous Income	102,000	104,185	2,185
Miscellaneous Non-Operating Revenue	-	57,794	57,794
Total Non-Operating Revenue	<u>522,000</u>	<u>804,481</u>	<u>282,481</u>
Other Receipts			
Customer Tap Fees	1,731,200	2,045,540	314,340
Water Requirement Fee	3,001,500	4,743,000	1,741,500
Less: Funding to Water Reserve	(3,001,500)	(4,743,000)	(1,741,500)
CIAC - Line Fee/Fire System, etc.	300,000	439,520	139,520
Loan Proceeds	10,000,990	8,323,697	(1,677,293)
Total Other Receipts	<u>12,032,190</u>	<u>10,808,757</u>	<u>(1,223,433)</u>
Total Revenue and Receipts	<u>22,466,920</u>	<u>21,263,462</u>	<u>(1,203,458)</u>

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Disbursed Expenditures			
Operating Expenditures			
Water Assessments	497,000	497,304	(304)
Winter Water Supply	57,000	49,021	7,979
Cross-Tie Water Supply	215,000	169,359	45,641
Salaries	2,045,900	2,006,788	39,112
PERA Contribution	382,590	365,515	17,075
Taxes - Medicare Match	29,670	29,218	452
Worker's Compensation/Unemployment	37,640	15,458	22,182
Health/Life Insurance	316,000	277,464	38,536
Education and Dues	39,000	33,564	5,436
Chemicals	285,000	278,418	6,582
Fuel	49,000	44,288	4,712
Repairs and Maintenance	1,075,500	916,333	159,167
Utilities and Communication	391,850	320,198	71,652
Water Tests	70,000	48,210	21,790
Accounting and Audit	15,500	15,300	200
Commercial Insurance	130,000	124,660	5,340
Computer Expense	118,000	122,249	(4,249)
Contract Service Support	90,000	40,180	49,820
Legal Expense	50,000	28,613	21,387
Supplies	125,300	117,945	7,355
Other Expenditures	133,330	136,625	(3,295)
B.O.D Director Fees	8,400	7,400	1,000
LESS: Dir Fees w/3% Reserve - Gov't Fund	(8,660)	(7,622)	(1,038)
B.O.D Expenditures	12,000	9,048	2,952
LESS: BOD Exp w/3% Reserve - Gov't Fund	(12,360)	(9,319)	(3,041)
Contingency Expenses	30,000	-	30,000
Total Operating Expenditures	<u>6,182,660</u>	<u>5,636,217</u>	<u>546,443</u>
Non-Operating Expenditures			
Property Management Expense	76,000	49,203	26,797
Interest Expense	485,000	477,571	7,429
1999 DWRP Payable	219,490	219,491	(1)
2014 DWRP Payable	1,390,250	1,390,245	5
2018 DWRP Payable	75,730	75,730	-
Total Non-Operating Expenditures	<u>2,246,470</u>	<u>2,212,240</u>	<u>34,230</u>
Capital Expenditures			
General and Administrative	6,000	5,031	969
Distribution and Transmission	125,850	187,241	(61,391)
Treatment	357,000	252,855	104,145
Building and Grounds	-	23,896	(23,896)
Total Capital Expenditures	<u>488,850</u>	<u>469,023</u>	<u>19,827</u>

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Land, Easement and Water Acquisition			
Water Rights	3,600,000	4,333,825	(733,825)
Funding from Water Reserve	(3,600,000)	(4,333,825)	733,825
Raw Water - Legal Costs	-	-	-
Total Land, Easement and Water Acquisition	-	-	-
Construction			
Miscellaneous and Unscheduled Construction	3,835,000	1,527,892	2,307,108
Replacement Fund Projects	2,415,000	2,825,208	(410,208)
Net Funding to (from) Replacement Fund	(415,000)	(825,208)	410,208
NISP	1,102,500	1,102,500	-
Funding from Water Reserve	(1,102,500)	(1,102,500)	-
Southern Water Supply Line (II)	6,900,990	6,847,094	53,896
Total Construction	12,735,990	10,374,986	2,361,004
Total Disbursed Expenditures	21,653,970	18,692,466	2,961,504
Excess (Deficiency) of Revenues Over Expenditures	\$ 812,950	\$ 2,570,996	\$ 1,758,046
	Government Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Sources of Funds			
Transfers from Enterprise Fund	\$ 21,020	\$ 16,941	\$ (4,079)
Total Sources of Funds	21,020	16,941	(4,079)
Uses of Funds			
Board of Directors Expenditures	12,000	9,048	2,952
Director Fees	8,400	7,400	1,000
TABOR Reserve (3%)	620	493	127
Total Uses of Funds	21,020	16,941	4,079
Excess (Deficiency) of Revenues over Expenses	\$ -	\$ -	\$ -



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Left Hand Water District
Niwot, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Left Hand Water District (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Broomfield, Colorado
May 8, 2020