

LEFT HAND WATER DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Left Hand Water District
Niwot, Colorado

Report on the Audit of the Financial Statements

Opinions

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Left Hand Water District, as of December 31, 2021 and 2020, and the changes in its financial position, and, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Left Hand Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Left Hand Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Left Hand Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Left Hand Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is the responsibility of management and, 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.

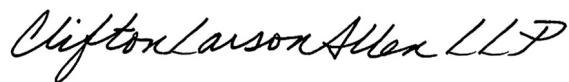
We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Left Hand Water District's basic financial statements. The schedule of revenues and expenditures – budget to actual (budget basis) is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 GAAS. In our opinion, the schedule of revenues and expenditures – budget to actual (budget basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2022, on our consideration of Left Hand Water 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 Left Hand Water District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, Colorado
May 9, 2022

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

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 52) – 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.

2021 HIGHLIGHTS

- As of December 31, 2021, total net position was \$137,675,125, representing an increase of \$5,357,669 (4.0%), when compared to 2020.
- Operating revenues were \$11,619,936 during 2021, a decrease of less than 0.1% as compared to 2020.
- In 2021, total operating expenses net of depreciation/amortization were \$6,080,819, which is an increase of \$166,323 (2.8%) from 2020.
- Total capital contributions were \$3,762,580 in 2021, compared to \$2,807,265 in 2020 – an increase of \$955,315 (34%).
- Long-term debt (net of current maturities) decreased to \$30,967,019 as of December 31, 2021, as compared with the December 31, 2020, balance of \$33,169,103.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

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, 2021, 2020, and 2019.

| | 2021 | 2020 | 2019 |
|---|------------------------------|------------------------------|------------------------------|
| Current Assets | \$ 31,199,287 | \$ 28,629,216 | \$ 29,891,245 |
| Capital Assets (net of depreciation) | <u>143,069,363</u> | <u>142,230,292</u> | <u>136,905,253</u> |
| Total Assets | 174,268,650 | 170,859,508 | 166,796,498 |
| Deferred Outflows of Resources | 787,232 | 540,658 | 884,221 |
| Current Liabilities | 2,895,241 | 2,520,458 | 2,614,186 |
| Non-Current Liabilities | <u>32,777,223</u> | <u>35,626,938</u> | <u>37,862,504</u> |
| Total Liabilities | 35,672,464 | 38,147,396 | 40,476,690 |
| Deferred Inflows of Resources | 1,708,293 | 935,314 | 86,199 |
| Invested in Capital Assets, net of related debt | 109,885,357 | 107,873,260 | 102,853,350 |
| Restricted | 962,986 | 919,025 | 1,551,008 |
| Unrestricted | <u>26,826,782</u> | <u>23,525,171</u> | <u>22,713,472</u> |
| TOTAL NET POSITION | <u>\$ 137,675,125</u> | <u>\$ 132,317,456</u> | <u>\$ 127,117,830</u> |

Total Net Position increased in 2021 by just over \$5.35 million (4%) from the results of operations and capital contributions.

Total Non-Current Liabilities decreased by just over \$2.8 million in 2021. Principal payments of just over \$1.5 million were made on previously-existing loans.

The District's proportionate share of the Colorado Public Employers' Retirement Association (PERA)'s net unfunded liability for pension and Other Postemployment Benefits (OPEB) decreased in 2021 by almost \$600,000 and approximately \$38,000, respectively.

Capital Assets represent the largest portion of the District's assets (82%) and increased by a net amount of over \$830,000 during 2021. Additional detail regarding acquisitions and construction can be found on the following 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, 2021, Unrestricted Net Position was \$7,434,267 higher than at December 31, 2020.

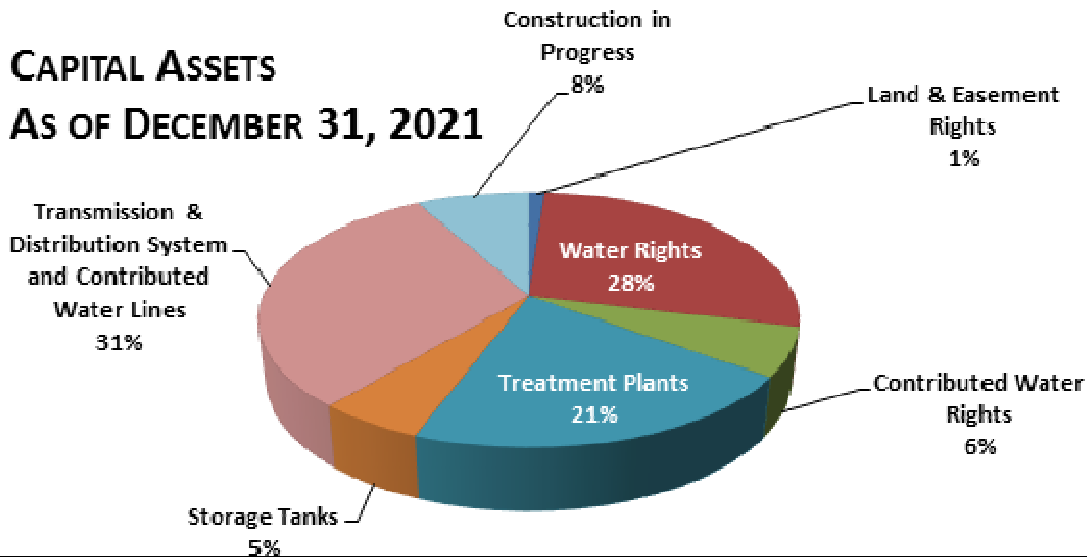
**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL ASSETS

The following table presents a condensed review of capital assets, net of accumulated depreciation, as of December 31, 2021, 2020, and 2019.

| | 2021 | 2020 | 2019 |
|------------------------------------|------------------------------|------------------------------|------------------------------|
| Land & Easement Rights | \$ 1,603,690 | \$ 1,603,690 | \$ 1,452,190 |
| Water Rights | 39,073,894 | 39,073,893 | 27,769,671 |
| Contributed Water Rights | 8,759,149 | 8,759,149 | 8,759,149 |
| Buildings & Improvements | 710,507 | 732,853 | 752,614 |
| Treatment Plants | 29,323,568 | 30,241,795 | 31,167,723 |
| Storage Tanks | 7,579,845 | 7,866,212 | 8,153,841 |
| Raw Water Reservoirs | 53,691 | 75,611 | 97,531 |
| Transmission & Distribution System | 43,518,740 | 42,264,731 | 38,589,705 |
| Office Equipment & Furnishings | 706,001 | 762,315 | 20,962 |
| Equipment & Vehicles | 369,393 | 460,360 | 476,120 |
| Construction in Progress | <u>11,370,885</u> | <u>10,389,683</u> | <u>19,665,747</u> |
| TOTAL CAPITAL ASSETS | <u>\$ 143,069,363</u> | <u>\$ 142,230,292</u> | <u>\$ 136,905,253</u> |

Capital acquisitions in 2021 included equipment for the Distribution Department as well as a new vehicle in the Treatment Department. The District's cost of participation in the Northern Integrated Supply Project (NISIP), included in Construction in Progress (CIP), was \$1,788,500.



Of the \$4.88 million allocated for construction projects in the 2021 budget, just over \$1.3 million was expended. The primary water line project in progress during 2021 was the continuation of a multi-year project to upgrade the transmission line along Weld County Road 7. Phase 2 of the project was completed and design was completed and construction initiated on phase 3. It is anticipated the full project will be completed in 2022. Construction continued on emergency interconnections with the City of Longmont and a new Pump and PRV station for the Spurgeon Zone was constructed.

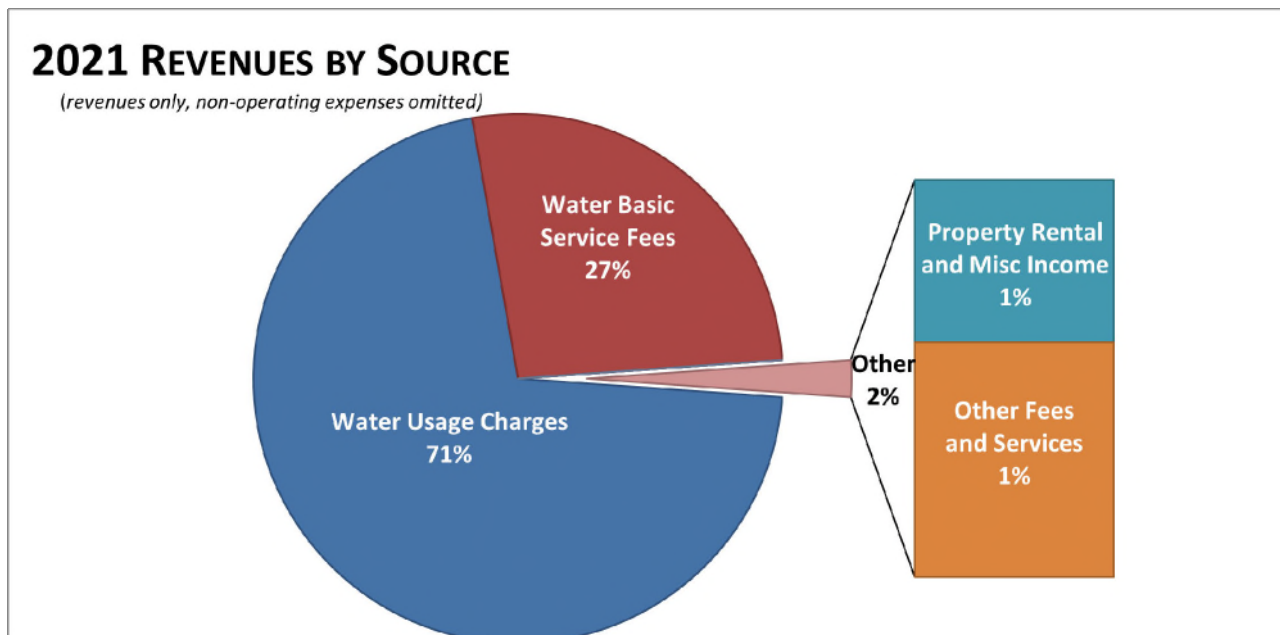
**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – REVENUES

The following table presents a condensed review of revenues for the years ended December 31, 2021, 2020, and 2019.

| | 2021 | 2020 | 2019 |
|--|-----------------------------|-----------------------------|-----------------------------|
| Operating Revenues | | | |
| Water Usage Charges | \$ 8,293,632 | \$ 8,528,362 | \$ 6,836,125 |
| Water Basic Service Fees | 3,109,470 | 2,907,732 | 2,663,299 |
| Other Fees & Services | 154,583 | 139,350 | 127,132 |
| Inventory Sales | 1,751 | 45,897 | 23,668 |
| Water Lease Income | <u>60,500</u> | <u>89,072</u> | <u>83,190</u> |
| Total Operating Revenues | 11,619,936 | 11,710,413 | 9,733,414 |
| Non-Operating Revenues (Expenses) | | | |
| Earnings on Investments | 311,289 | 467,173 | 559,312 |
| Interest Expense | (699,674) | (946,864) | (477,571) |
| Property Rental and Miscellaneous Income | 106,426 | 108,202 | 104,185 |
| Property Management Expense | (46,212) | (89,984) | (49,203) |
| Unrealized Gain/(Loss) on Investments | (321,087) | 41,200 | 129,767 |
| Realized Gain/(Loss) on Investments | (5,739) | (2,590) | 2,527 |
| Gain/(Loss) on Disposition of Capital Assets | (1,787) | 4,516 | --- |
| Other Non-Operating Income | <u>8,091</u> | <u>105,832</u> | <u>57,804</u> |
| Total Non-Operating Revenues | <u>(648,693)</u> | <u>(312,515)</u> | <u>326,821</u> |
| TOTAL REVENUES | <u>\$ 10,971,243</u> | <u>\$ 11,397,898</u> | <u>\$ 10,060,235</u> |

Operating revenues in 2021 were 1.9 below the amount budgeted. Water Usage Charges were under budget by 3.1%; Water Basic Service Fees were under budget by less than 0.1%. Other components of Operating Revenue were over budget. Total revenues decreased by just over \$425,000 (3.7%) from 2020. Primary factors in the decrease were lower water volume usage leading to a reduction in Water Usage Revenue as well as Interest Income being impacted by economic and market conditions.



**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

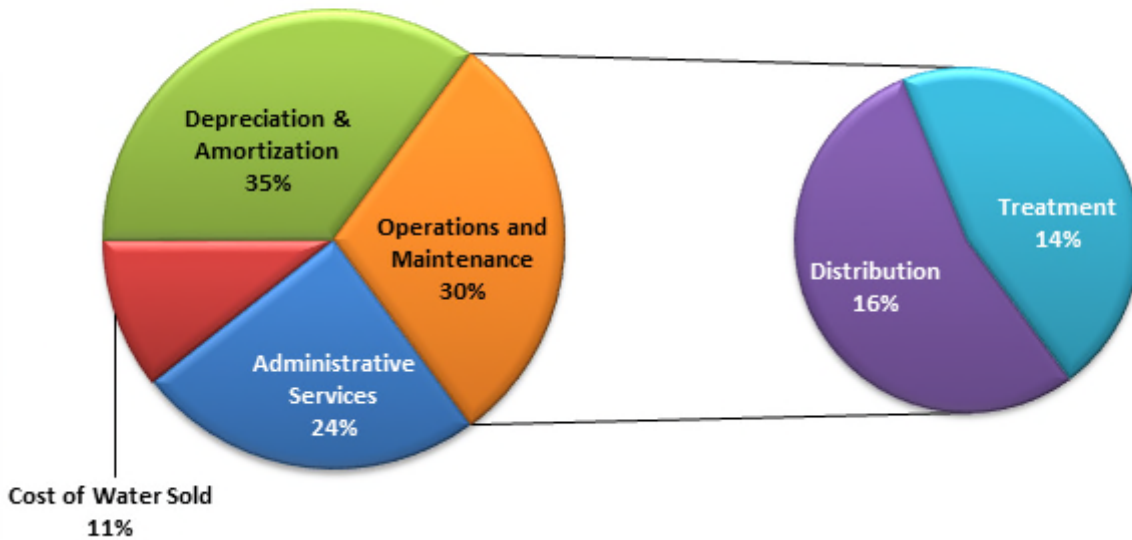
CONDENSED COMPARATIVE FINANCIAL INFORMATION – OPERATING EXPENSES

The following table presents a condensed review of operating expenses for the years ended December 31, 2021, 2020, and 2019.

| | 2021 | 2020 | 2019 |
|---------------------------------|----------------------------|----------------------------|----------------------------|
| Operating Expenses | | | |
| Operation and Maintenance | \$ 2,789,185 | \$ 3,055,764 | \$ 3,023,895 |
| Administrative Services | 2,300,638 | 2,100,303 | 1,531,532 |
| Cost of Water Sold | 990,996 | 758,429 | 715,684 |
| Depreciation & Amortization | <u>3,295,335</u> | <u>3,091,041</u> | <u>2,977,549</u> |
| TOTAL OPERATING EXPENSES | <u>\$ 9,376,154</u> | <u>\$ 9,005,537</u> | <u>\$ 8,248,660</u> |

Net of depreciation and other items not included in the budget, total operating expenses for 2021 were under budget by 9%. Operation and maintenance costs decreased by 8.7% over 2020. Expenditures within the Distribution Department decreased by approximately 16.7%, while the Treatment Department saw an increase of just over 6%. For the Distribution Department, lower repairs and maintenance costs in 2021 more than offset moderate increases to salaries, utilities, and fuel. Primary contributing factors for the slight increase in the Treatment Department include increased costs for salaries, repairs and maintenance, and chemicals. Administrative Services expenditures increased in 2021 from 2020 by 9.5%, largely due to the expense of the contracted services for the update to the District's Treated Water Master Plan in addition to increases to salaries and related expenses. Cost of Water Sold increased by 31%, as the cost of assessments on CBT water units has continued to increase as set by Northern Water; in addition, the District's first full year of assessments were paid for the District's allocated share of the operations and maintenance costs of the Southern Water Supply Pipeline.

2021 OPERATING EXPENSES BY CATEGORY



**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL CONTRIBUTIONS

The following table presents a condensed review of capital contributions for the years ended December 31, 2021, 2020, and 2019.

| | 2021 | 2020 | 2019 |
|------------------------------------|----------------------------|----------------------------|-----------------------------|
| Customer Tap Fees | \$ 2,732,385 | \$ 1,822,679 | \$ 9,015,910 |
| Contributed Water Rights | --- | --- | 360,000 |
| Contributed Line Fee/Fire System | 95,370 | 76,250 | 439,520 |
| Contributed Assets | <u>934,825</u> | <u>908,336</u> | <u>585,647</u> |
| TOTAL CAPITAL CONTRIBUTIONS | <u>\$ 3,762,580</u> | <u>\$ 2,807,265</u> | <u>\$ 10,401,077</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 2021, 88 taps were sold, upgraded, or completed, vs. 105 in 2020.

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 2021, the District executed two new subdivision agreements for which initial payments were received. As of December 31, 2021, the District had two subdivision contracts active, representing 9 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 2021, the line fees collected on new taps totaled \$95,370, 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 2021, water lines were received by the District in the Grigsby subdivision as well as a water line extension to the Firelight subdivision, a water line lowering on Weld County Road 3 at Morgan Hill, and a new water line at Niwot High School.

STRATEGIC PLANNING AND CAPITAL IMPROVEMENT PROGRAM

The District completed its first Comprehensive Water System Strategic Plan in 2007; two components of that Plan, the Treated Water Master Plan and the Financial Master Plan, are updated periodically. Both were updated in 2014 and the Treated Water Master Plan, along with the District's Emergency Response Plan, were updated again in 2021. The District Board of Directors also holds Strategic Planning Retreats periodically to review and discuss the various documents, plans and programs that make up the ongoing comprehensive strategic planning processes of the District; the last such retreat was held in March 2018.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

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 relating to Transmission & Distribution lines that benefit future development may require significant developer participation.

In 2019 the District Board of Directors approved creation of a Board-Designated Capital Fund, which is funded from the Plant Investment Fee and Line Fee components of customer tap fees. The Board also approved transferring \$5 million from Unrestricted Reserves as an initial balance for the Fund, which was effected in January 2020. The Fund is utilized to address infrastructure projects necessary to meet anticipated growth, including payment of debt service on debt issued to finance growth-related projects. The following table summarizes the funding and utilization of the Fund during 2021.

| CAPITAL FUND SUMMARY – 2021 | |
|---|---------------------|
| Capital Fund Balance – December 31, 2020 | \$ 3,492,254 |
| Customer Tap Fees – Plant Investment, Line Fees | 1,000,130 |
| Projects Funded via Capital Fund | (398,208) |
| Transfers to Operating Fund – Debt Service | (913,490) |
| Capital Fund Balance – December 31, 2021 | \$ 3,180,686 |

In order to meet future capital and infrastructure replacement needs the District maintains a Board-Designated Replacement Fund, which is funded from operating and non-operating revenue as well as carryover funds. In 2021 the funding level was \$2,200,000, based on analysis using the District's Water Rate Model and Capital Improvement Plan. The funding level for 2022 has likewise been set at \$2,200,000. Capital improvement projects designated as Replacement Fund Projects are paid for from the Fund, a summary of the funding and use of which is shown in the following table.

| REPLACEMENT FUND SUMMARY – 2021 | |
|---|---------------------|
| Replacement Fund Balance – December 31, 2020 | \$ 5,612,997 |
| Funding from Operating Fund | 2,200,000 |
| Projects Funded via Replacement Fund | (946,192) |
| Replacement Fund Balance – December 31, 2021 | \$ 6,866,805 |

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

STRATEGIC PLANNING AND CAPITAL IMPROVEMENT PROGRAM (CONTINUED)

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, the District is participating in the Northern Integrated Supply Project (NISP) through Northern Water 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 cost in the project, currently estimated at \$188 million, will be funded through a combination of future debt and utilization of the District's Board-Designated Water Acquisition Fund, which is funded via cash-in-lieu payments as part of tap fee revenue. The following table shows a summary of Water Acquisition Fund activity during 2021.

| WATER ACQUISITION FUND SUMMARY – 2021 | |
|---|---------------------|
| Water Acquisition Fund Balance – December 31, 2020 | \$ 3,367,426 |
| Customer Tap Fees – Cash-in-Lieu Payments | 2,707,860 |
| NISP Participation | (1,788,500) |
| Water Acquisition Fund Balance – December 31, 2021 | \$ 4,286,786 |

DEBT AND OTHER FINANCIAL OBLIGATIONS

The District's long-term debt (net of current maturities and unamortized premiums) was \$30,967,019 and \$33,169,103 at December 31, 2021, and December 31, 2020, 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 2018 SHLP loan from the CWR&PDA has a 20-year term; total annual debt service is approximately \$174,000. The 2018 CWCB loan also has a 20-year term; total annual debt service is approximately \$650,000.

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

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. Total system water usage in 2021 was approximately 1.333 billion gallons, which was approximately 1.4% above the average of the previous five years. Water usage per tap equivalent (a 'per capita' measure) in 2021 was approximately 3.2% below the average of the previous five years.

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.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

The 2022 budget is based on projected growth in water revenue and includes an increase of 2.5% to basic service fees and increases of 0-8% to volume charges. The budget for tap fee revenue projects an increase from the amount budgeted in 2022 of 55%, 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, 2021 AND 2020**

| | 2021 | 2020 |
|--|---------------|--------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 11,132,590 | \$ 7,481,628 |
| Restricted Cash and Cash Equivalents | 2,641,286 | 2,978,863 |
| Investments | 16,313,937 | 15,468,002 |
| Receivables | 968,095 | 2,092,889 |
| Other Restricted Assets | - | 307,924 |
| Inventory - Supplies | 83,038 | 71,088 |
| Prepaid Expenses and Other Assets | 60,341 | 228,822 |
| Total Current Assets | 31,199,287 | 28,629,216 |
| NONCURRENT ASSETS | | |
| Capital Assets: | | |
| Land, Easements and Water Rights | 49,436,733 | 49,436,733 |
| Construction in Progress | 11,370,885 | 10,389,684 |
| Transmission and Distribution System Facilities | 83,423,070 | 80,336,738 |
| Vehicles and Equipment | 37,786,594 | 37,770,092 |
| Furniture and Equipment | 1,480,695 | 1,455,372 |
| Water Service Agreement | 1,023,225 | 1,023,225 |
| Water Service Agreement | 1,500,000 | 1,500,000 |
| Total Capital Assets | 186,021,202 | 181,911,844 |
| Less: Accumulated Depreciation | (42,951,839) | (39,681,552) |
| Capital Assets, Net | 143,069,363 | 142,230,292 |
| Total Noncurrent Assets | 143,069,363 | 142,230,292 |
| Total Assets | 174,268,650 | 170,859,508 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to Pension | 747,941 | 497,414 |
| Related to OPEB | 39,291 | 43,244 |
| Total Deferred Outflows of Resources | 787,232 | 540,658 |

See accompanying Notes to Basic Financial Statements.

**LEFT HAND WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|----------------|----------------|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 367,864 | \$ 91,167 |
| Retainage Payable | 13,754 | 68,593 |
| Accrued Expenses | 447,656 | 682,614 |
| Current Portion of Long-Term Debt | 2,065,967 | 1,678,084 |
| Total Current Liabilities | 2,895,241 | 2,520,458 |
| NONCURRENT LIABILITIES | | |
| Accrued Compensated Absences | 88,080 | 102,585 |
| Net Pension Liability | 1,511,653 | 2,107,230 |
| Net OPEB Liability | 210,471 | 248,020 |
| Long-Term Debt (Net of Current Maturities and Unamortized Premium) | 30,967,019 | 33,169,103 |
| Total Noncurrent Liabilities | 32,777,223 | 35,626,938 |
| Total Liabilities | 35,672,464 | 38,147,396 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to Pension | 1,634,769 | 881,861 |
| Related to OPEB | 73,524 | 53,453 |
| Total Deferred Inflows of Resources | 1,708,293 | 935,314 |
| NET POSITION | | |
| Net Investment in Capital Assets | 109,885,357 | 107,873,260 |
| Restricted: | | |
| Debt Service | 962,986 | 611,101 |
| Capital Projects | - | 307,924 |
| Unrestricted | 26,826,782 | 23,525,171 |
| Total Net Position | \$ 137,675,125 | \$ 132,317,456 |

See accompanying Notes to Basic Financial Statements.

LEFT HAND WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|--|----------------|----------------|
| OPERATING REVENUES | | |
| Water - Treated | \$ 11,403,102 | \$ 11,436,094 |
| Service Revenue | 154,583 | 139,350 |
| Other Income | 62,251 | 134,969 |
| Total Operating Revenues | 11,619,936 | 11,710,413 |
| OPERATING EXPENSES | | |
| Depreciation | 3,295,335 | 3,091,041 |
| Salaries and Wages | 2,122,038 | 2,106,703 |
| Repairs and Maintenance | 1,119,873 | 1,220,216 |
| Employee Benefit and Taxes | 680,213 | 615,643 |
| Cost of Water Sold | 990,996 | 758,429 |
| Utilities | 288,807 | 288,374 |
| Office | 199,065 | 241,293 |
| Contract Support Service | 212,846 | 35,026 |
| Insurance | 114,932 | 129,063 |
| Other | 203,791 | 387,812 |
| Professional Fees | 140,364 | 124,092 |
| Employee Development | 7,894 | 7,845 |
| Total Operating Expenses | 9,376,154 | 9,005,537 |
| OPERATING INCOME | 2,243,782 | 2,704,876 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Earnings on Investments | 311,289 | 467,173 |
| Realized and Unrealized Net Gain (Loss) on Investments | (326,826) | 38,610 |
| Property Rental and Miscellaneous Income | 106,426 | 108,202 |
| Gain (Loss) on Disposition of Capital Assets | (1,787) | 4,516 |
| Miscellaneous Nonoperating Income | 8,091 | 105,832 |
| Interest Expense | (699,674) | (946,864) |
| Property Management Expense | (46,212) | (89,984) |
| Total Nonoperating Revenues (Expenses) | (648,693) | (312,515) |
| INCOME BEFORE CONTRIBUTIONS | 1,595,089 | 2,392,361 |
| CAPITAL CONTRIBUTIONS | 3,762,580 | 2,807,265 |
| CHANGE IN NET POSITION | 5,357,669 | 5,199,626 |
| Net Position - Beginning of Year | 132,317,456 | 127,117,830 |
| NET POSITION - END OF YEAR | \$ 137,675,125 | \$ 132,317,456 |

See accompanying Notes to Basic Financial Statements.

**LEFT HAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 11,621,758 | \$ 11,684,849 |
| Cash Paid to Suppliers | (2,529,914) | (3,194,260) |
| Cash Paid to Employees | (2,924,036) | (2,837,265) |
| Net Cash Flows Provided by Operating Activities | 6,167,808 | 5,653,324 |
| CASH FLOWS FROM NONCAPITAL ACTIVITIES | | |
| Property Rental and Miscellaneous Income | 114,517 | 214,034 |
| Property Management Expense | (46,212) | (89,984) |
| Net Cash Flows Provided by Noncapital Activities | 68,305 | 124,050 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital Contributions | 3,950,727 | 3,574,929 |
| Acquisition and Construction of Capital Assets | (3,257,419) | (7,576,959) |
| Cash Received from Sale of Capital Assets | 1,213 | 10,652 |
| Proceeds from Debt Issuance | - | 630,152 |
| Repayment of Bonds and Loans | (1,808,341) | (1,531,373) |
| Interest Paid | (947,436) | (484,964) |
| Net Cash Flows Used by Capital and Related Financing Activities | (2,061,256) | (5,377,563) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sales and Maturities of Investments | 6,565,000 | 4900000 |
| Purchase of Investments | (7,737,761) | -7197183 |
| Earnings on Investments | 311,289 | 467,173 |
| Net Cash Flows Used by Investing Activities | (861,472) | (1,830,010) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 3,313,385 | (1,430,199) |
| Cash and Cash Equivalents - Beginning of Year | 10,460,491 | 11,890,690 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 13,773,876 | \$ 10,460,491 |

See accompanying Notes to Basic Financial Statements.

**LEFT HAND WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|--------------|--------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating Income | \$ 2,243,782 | \$ 2,704,876 |
| Adjustments to Reconcile Operating Income to Net Cash | | |
| Flows from Operating Activities: | | |
| Depreciation | 3,295,335 | 3,091,041 |
| Changes in Operating Assets and Liabilities: | | |
| Receivables | 1,822 | (19,564) |
| Other Assets | 307,924 | 638,192 |
| Net Pension Liability | (595,577) | (1,308,251) |
| Deferred Outflows Related to Pension | (250,527) | 350,878 |
| Deferred Inflows Related to Pension | 752,908 | 805,624 |
| Net OPEB Liability | (37,549) | (38,620) |
| Deferred Outflows Related to OPEB | 3,953 | (7,315) |
| Deferred Inflows Related to OPEB | 20,071 | 43,491 |
| Inventory - Supplies | (11,950) | 58,486 |
| Accrued Liabilities | (6,892) | 45,120 |
| Prepaid Expenses and Other Assets | 168,481 | (185,491) |
| Accounts Payable and Accrued Expenses | 276,027 | (525,143) |
| Net Cash Flows Provided by Operating Activities | \$ 6,167,808 | \$ 5,653,324 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | |
| Capital Assets Contributed to the District | \$ 934,825 | 908,336 |
| Amortization of Debt Premium | 13,474 | 13,473 |
| Unrealized (Gain) Loss on Investments | 326,826 | (38,610) |

See accompanying Notes to Basic Financial Statements.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 2021 appropriated expenditures for the District were \$42,456,890.

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.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 or 2020, based on historical collection experience.

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 nonoperating 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 nonoperating 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.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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:

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

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, 2021 and 2020 is \$-0- and \$-0-, respectively.

Debt Issuance Costs

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

Deferred Outflows of Resources

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, 2021 and 2020. 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 \$225,902 and \$232,794 at December 31, 2021, and 2020, respectively.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020. See Notes 9 and 10 for additional information.

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:

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

| | 2021 |
|--|--------------|
| Net Consolidated Increase/Decrease (Budgetary Basis) | \$ 4,329,056 |
| Add: | |
| Capital Outlay | 3,202,581 |
| Debt Principal Paid | 1,533,903 |
| Noncash Capital Contributions | 934,825 |
| Employer Contribution Expense | 301,978 |
| Less: | |
| Depreciation | (3,295,335) |
| Pension and OPEB Expense | (195,263) |
| Net Decrease in Tap Fees Receivable | (1,127,250) |
| Realized and Unrealized Gain (Loss) on Investments | (326,826) |
| Change in Net Position - GAAP Basis | \$ 5,357,669 |

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, 2021 and 2020, the District had deposits with a financial institution with a carrying amount of \$3,743,288 and \$2,708,355, respectively. The bank balances with the financial institution were \$3,363,155 and \$2,760,326 respectively, which of this amount \$250,000 was covered by federal depository insurance, with the excess in 2021 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:

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

- 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.
- 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.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

- 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% 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 cash equivalents held by the District were as follows at December 31:

| | 2021 | 2020 |
|----------------------------------|----------------------|----------------------|
| Cash on Hand | \$ 1,000 | \$ 1,000 |
| Bank Deposits | 3,743,288 | 2,708,355 |
| Local Government Investment Pool | 10,029,588 | 7,751,136 |
| Total Cash and Cash Equivalents | <u>\$ 13,773,876</u> | <u>\$ 10,460,491</u> |

Investments held by the District at December 31, 2021, 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 | \$ 2,047,943 | 2.08 | 12.55% |
| FANNIE MAE | AA+ | Aaa | 2,515,534 | 2.17 | 15.42% |
| FREDDIE MAC | AA+ | Aaa | 1,060,545 | 2.75 | 6.50% |
| Treasury Notes | AA+ | Aaa | 6,667,971 | 1.88 | 40.87% |
| FFCB | AA+ | Aaa | 1,623,675 | 0.91 | 9.95% |
| Municipal Bonds | AA- | Aa2 | 385,765 | 0.75 | 2.36% |
| Corporate Notes | A+ to AAA | A1 to Aaa | 2,012,504 | 0.64 | 12.34%* |
| Total | | | <u>\$ 16,313,937</u> | | |

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

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

Investments held by the District at December 31, 2020, 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 | \$ 1,579,889 | 0.61 | 10.21% |
| FANNIE MAE | AA+ | Aaa | 2,542,824 | 3.17 | 16.44% |
| FREDDIE MAC | AA+ | Aaa | 2,472,579 | 3.75 | 15.99% |
| Treasury Notes | AA+ | Aaa | 4,351,230 | 1.26 | 28.13% |
| FFCB | AA+ | Aaa | 1,573,178 | 1.35 | 10.17% |
| Municipal Bonds | AA- to AA+ | Aa1 to Aa2 | 896,679 | 0.98 | 5.80% |
| Corporate Bonds | A+ to AA+ | A1 to Aa3 | 2,051,623 | 0.63 | 13.26%* |
| Total | | | <u>\$ 15,468,002</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, 2021 and 2020.

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.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value of Investments (Continued)

The District has the following fair value measurements as of December 31, 2021:

| | Total | Fair Value Measurements Using | | |
|----------------------------------|----------------------|-------------------------------|---------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments by Fair Value Level: | | | | |
| Government Bonds | \$ 6,667,971 | \$ 6,667,971 | \$ - | \$ - |
| Municipal/Provincial Bonds | 385,765 | - | 385,765 | - |
| Government Agencies | 7,247,697 | - | 7,247,697 | - |
| Corporate Bonds | 2,012,504 | - | 2,012,504 | - |
| Total Investments by Fair Value | <u>\$ 16,313,937</u> | <u>\$ 6,667,971</u> | <u>\$ 9,645,966</u> | <u>\$ -</u> |

The District has the following fair value measurements as of December 31, 2020:

| | Total | Fair Value Measurements Using | | |
|----------------------------------|----------------------|-------------------------------|----------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments by Fair Value Level: | | | | |
| Government Bonds | \$ 4,351,230 | \$ 4,351,230 | \$ - | \$ - |
| Municipal/Provincial Bonds | 896,679 | - | 896,679 | - |
| Government Agencies | 8,168,470 | - | 8,168,470 | - |
| Corporate Bonds | 2,051,623 | - | 2,051,623 | - |
| Total Investments by Fair Value | <u>\$ 15,468,002</u> | <u>\$ 4,351,230</u> | <u>\$ 11,116,772</u> | <u>\$ -</u> |

Local Government Investment Pools

At December 31, 2021 and 2020, the District had invested \$10,029,588 and \$7,751,136, 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:

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 RESTRICTED ASSETS (CONTINUED)

| | 2021 | 2020 |
|---|--------------|--------------|
| Debt Service Account: | | |
| Paying Current Principal and Interest on Bonds and Loan | \$ 2,641,286 | \$ 2,523,689 |
| Project Loan Account - CWR&PDA | - | 455,174 |
| Funds Held for Future Construction Costs | - | 307,924 |
| Total Restricted Assets | \$ 2,641,286 | \$ 3,286,787 |

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:

| | 2021 | 2020 |
|-------------------------|---------------|---------------|
| Board Designated Funds: | | |
| Replacement Fund | \$ 6,866,805 | \$ 5,612,997 |
| Water Acquisition Fund | 4,286,786 | 3,367,426 |
| Capital Fund | 3,180,686 | 3,492,254 |
| Dental Fund | 10,000 | 10,000 |
| Total Designated Funds | \$ 14,344,277 | \$ 12,482,677 |

NOTE 4 RECEIVABLES

Receivables consist of the following at December 31:

| | 2021 | 2020 |
|---------------------------------|------------|--------------|
| Water Service | \$ 589,373 | \$ 591,195 |
| Developer Agreements Receivable | 366,750 | 1,494,000 |
| Other Receivables | 11,972 | 7,694 |
| Total Current Receivables | \$ 968,095 | \$ 2,092,889 |

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Additions | Deletions | Transfers | Ending Balance |
|---|-----------------------|-------------------|-------------------|-------------|-----------------------|
| Capital Assets, Not Being Depreciated: | | | | | |
| Land, Easements and Water Rights | \$ 49,436,733 | \$ - | \$ - | \$ - | \$ 49,436,733 |
| Construction in Progress | 10,389,684 | 3,155,457 | - | (2,174,256) | 11,370,885 |
| Total Capital Assets, Not Being Depreciated | 59,826,417 | 3,155,457 | - | (2,174,256) | 60,807,618 |
| Capital Assets, Being Depreciated: | | | | | |
| Transmission and Distribution System | 80,336,738 | 934,825 | (6,247) | 2,157,754 | 83,423,070 |
| Facilities | 37,770,092 | - | - | 16,502 | 37,786,594 |
| Vehicles and Equipment | 1,455,372 | 47,123 | (21,800) | - | 1,480,695 |
| Furniture and Equipment | 1,023,225 | - | - | - | 1,023,225 |
| Water Service Agreement | 1,500,000 | - | - | - | 1,500,000 |
| Total Capital Assets, Being Depreciated | 122,085,427 | 981,948 | (28,047) | 2,174,256 | 125,213,584 |
| Less: Accumulated Depreciation | | | | | |
| Transmission and Distribution System | (30,083,313) | (2,145,680) | 3,248 | - | (32,225,745) |
| Facilities | (6,836,359) | (956,728) | - | - | (7,793,087) |
| Vehicles and Equipment | (986,857) | (149,963) | 21,800 | - | (1,115,020) |
| Furniture and Equipment | (275,023) | (42,964) | - | - | (317,987) |
| Water Service Agreement | (1,500,000) | - | - | - | (1,500,000) |
| Total Accumulated Depreciation | (39,681,552) | (3,295,335) | 25,048 | - | (42,951,839) |
| Total Capital Assets, Being Depreciated, Net | 82,403,875 | (2,313,387) | (2,999) | 2,174,256 | 82,261,745 |
| Total Capital Assets, Net | \$ 142,230,292 | \$ 842,070 | \$ (2,999) | \$ - | \$ 143,069,363 |

Capital asset activity for the year ended December 31, 2020, was as follows:

| | Beginning Balance | Additions | Deletions | Transfers | Ending Balance |
|---|-----------------------|---------------------|-------------------|---------------|-----------------------|
| Capital Assets, Not Being Depreciated: | | | | | |
| Land, Easements and Water Rights | \$ 37,981,010 | \$ - | \$ - | \$ 11,455,723 | \$ 49,436,733 |
| Construction in Progress | 19,665,745 | 7,381,389 | - | (16,657,450) | 10,389,684 |
| Total Capital Assets, Not Being Depreciated | 57,646,755 | 7,381,389 | - | (5,201,727) | 59,826,417 |
| Capital Assets, Being Depreciated: | | | | | |
| Transmission and Distribution System | 74,975,547 | 908,336 | - | 4,452,855 | 80,336,738 |
| Facilities | 37,758,489 | 11,603 | - | - | 37,770,092 |
| Vehicles and Equipment | 1,375,757 | 120,888 | (41,273) | - | 1,455,372 |
| Furniture and Equipment | 274,353 | - | - | 748,872 | 1,023,225 |
| Water Service Agreement | 1,500,000 | - | - | - | 1,500,000 |
| Total Capital Assets, Being Depreciated | 115,884,146 | 1,040,827 | (41,273) | 5,201,727 | 122,085,427 |
| Less: Accumulated Depreciation | | | | | |
| Transmission and Distribution System | (28,085,917) | (1,997,396) | - | - | (30,083,313) |
| Facilities | (5,879,057) | (957,302) | - | - | (6,836,359) |
| Vehicles and Equipment | (892,040) | (129,954) | 35,137 | - | (986,857) |
| Furniture and Equipment | (268,634) | (6,389) | - | - | (275,023) |
| Water Service Agreement | (1,500,000) | - | - | - | (1,500,000) |
| Total Accumulated Depreciation | (36,625,648) | (3,091,041) | 35,137 | - | (39,681,552) |
| Total Capital Assets, Being Depreciated, Net | 79,258,498 | (2,050,214) | (6,136) | 5,201,727 | 82,403,875 |
| Total Capital Assets, Net | \$ 136,905,253 | \$ 5,331,175 | \$ (6,136) | \$ - | \$ 142,230,292 |

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 LONG-TERM DEBT

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

| <u>Description</u> | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| <p>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.</p> | \$ 20,231,291 | \$ 21,644,224 |
| <p>2018 Loan - Colorado Water Resources and Power Development Authority \$3,100,000 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. The proceeds were used to finance the connection to the Southern Water Supply Pipeline II (SWSP II) at the Dodd Water Treatment Plant, including hydropower generation.</p> | 2,496,579 | 2,891,987 |
| <p>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 with a rate of 2.75% along with principal are payable annually on February 1. The proceeds were used to finance the District's portion of the construction costs for the SWSP II project.</p> | <u>10,000,000</u> | <u>10,000,000</u> |
| Subtotal | 32,727,870 | 34,536,211 |
| Unamortized Bond Premium | <u>167,293</u> | <u>180,767</u> |
| Total Long-Term Debt | <u>\$ 32,895,163</u> | <u>\$ 34,716,978</u> |

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ended December 31, 2021 was as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|--------------------------------------|----------------------|-------------------|-----------------------|----------------------|------------------------|
| 2014 CWR&PDA Loan | \$ 21,644,224 | \$ - | \$ (1,412,933) | \$ 20,231,291 | \$ 1,421,778 |
| 2018 CWR&PDA Loan | 2,891,987 | - | (395,408) | 2,496,579 | 124,650 |
| 2018 CWCB Loan | 10,000,000 | - | - | 10,000,000 | 381,717 |
| Compensated Absences | 232,794 | 169,001 | (175,893) | 225,902 | 137,822 |
| Total | <u>34,769,005</u> | <u>\$ 169,001</u> | <u>\$ (1,984,234)</u> | 32,953,772 | <u>\$ 2,065,967</u> |
| Current Portion of Long-Term Debt | (1,678,084) | | | (2,065,967) | |
| Unamortized Bond Premium | <u>180,767</u> | | | <u>167,293</u> | |
| Noncurrent Portion of Long-Term Debt | <u>\$ 33,271,688</u> | | | <u>\$ 31,055,098</u> | |

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

| Year Ending December 31, | Principal | Interest | Total |
|--------------------------|----------------------|---------------------|----------------------|
| 2022 | \$ 1,928,145 | \$ 727,258 | \$ 2,655,403 |
| 2023 | 1,954,607 | 703,306 | 2,657,913 |
| 2024 | 1,976,408 | 679,164 | 2,655,572 |
| 2025 | 2,003,557 | 654,974 | 2,658,531 |
| 2026 | 2,025,292 | 630,577 | 2,655,869 |
| 2027-2031 | 10,798,361 | 2,484,054 | 13,282,415 |
| 2032-2036 | 8,672,942 | 956,207 | 9,629,149 |
| 2037-2041 | 3,368,558 | 262,951 | 3,631,509 |
| Total | <u>\$ 32,727,870</u> | <u>\$ 7,098,491</u> | <u>\$ 39,826,361</u> |

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

Long term debt activity for the year December 31, 2020 was as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|--------------------------------------|----------------------|-------------------|-----------------------|----------------------|------------------------|
| 2014 CWR&PDA Loan | \$ 23,043,314 | \$ - | \$ (1,399,090) | \$ 21,644,224 | \$ 1,412,933 |
| 2018 CWR&PDA Loan | 3,024,270 | - | (132,283) | 2,891,987 | 134,942 |
| 2018 CWCB Loan | 9,369,848 | 630,152 | - | 10,000,000 | - |
| Compensated Absences | 187,674 | 147,134 | (102,014) | 232,794 | 130,209 |
| Total | <u>35,625,106</u> | <u>\$ 777,286</u> | <u>\$ (1,633,387)</u> | 34,769,005 | <u>\$ 1,678,084</u> |
| Current Portion of Long-Term Debt | (1,658,963) | | | (1,678,084) | |
| Unamortized Bond Premium | <u>194,240</u> | | | <u>180,767</u> | |
| Noncurrent Portion of Long-Term Debt | <u>\$ 34,160,383</u> | | | <u>\$ 33,271,688</u> | |

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021:

| | |
|--|---------------|
| Operating Revenues | \$ 11,619,936 |
| Capital Contributions | 2,827,755 |
| Subtotal | 14,447,691 |
| Operation and Maintenance Expense | (6,080,819) |
| Net Revenue as Defined in 2014 CWR&PDA Loan Resolution | \$ 8,366,872 |
| | |
| 2021 Principal Due | \$ 1,421,778 |
| 2021 Interest Due | 402,947 |
| Subtotal | 1,824,725 |
| | x 110% |
| Required Revenue as Defined in 2014 CWR&PDA Loan Resolution | \$ 2,007,198 |

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, 2021:

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 RATE MAINTENANCE (CONTINUED)

| | |
|--|----------------------------|
| Operating Revenues | \$ 11,619,936 |
| Capital Contributions | <u>2,827,755</u> |
| Subtotal | 14,447,691 |
| Operation and Maintenance Expense | <u>(6,080,819)</u> |
| Net Revenue as Defined in 2018 CWR&PDA | |
| Loan Resolution | <u><u>\$ 8,366,872</u></u> |
| | |
| 2021 Principal Due | \$ 124,650 |
| 2021 Interest Due | <u>49,311</u> |
| Subtotal | 173,961 |
| | <u>x 110%</u> |
| | |
| Required Revenue as Defined in 2018 CWR&PDA | |
| Loan Resolution | <u><u>\$ 191,357</u></u> |
| | |
| Required Revenue for the 2014 and 2018 CWR&PDA | |
| Loans | <u><u>\$ 2,198,555</u></u> |

The District's 2018 loan agreement with the CWCB 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 annual amount of debt service on the CWCB 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, 2021:

| | |
|--|----------------------------|
| Operating Revenues | \$ 11,619,936 |
| Capital Contributions | <u>2,827,755</u> |
| Subtotal | 14,447,691 |
| Operation and Maintenance Expense | <u>(6,080,819)</u> |
| Net Revenue as Defined in 2018 CWCB Loan | |
| Resolution | <u><u>\$ 8,366,872</u></u> |
| | |
| 2021 Principal Due | \$ 381,717 |
| 2021 Interest Due | <u>275,000</u> |
| Subtotal | 656,717 |
| | <u>x 100%</u> |
| | |
| Required Revenue as Defined in 2018 CWCB | |
| Loan Resolution | <u><u>\$ 656,717</u></u> |

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 RENTAL INCOME

On June 1, 1999, the District entered into a 12-month lease for approximately 10 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 20th 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 5th 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 3 to 25 years.

The District received \$106,426 and \$106,032 rental income for the years ended December 31, 2021 and 2020, respectively.

Future minimum rental payments to be received on noncancellable leases are contractually due as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2022 | \$ 107,392 |
| 2023 | 109,152 |
| 2024 | 109,962 |
| 2025 | 102,754 |
| 2026 | 105,740 |
| Thereafter | 1,169,731 |
| Total | <u>\$ 1,704,731</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. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of December 31, 2021.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

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 annual comprehensive 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% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100% 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% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

General Information about the Pension Plan (Continued)

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive postretirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, the annual increase for 2020 is 0% for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.25% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The automatic adjustment provision may raise or lower the aforementioned annual increase by up to .25% 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

Contributions provisions as of December 31, 2021: 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. and § 24-51-413. Employer contribution rates for the period of January 1, 2021 through December 31, 2021 are summarized in the table below:

| | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 |
|---|---|---|
| Employer Contribution Rate ¹ | 10.50% | 10.50% |
| 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 | 9.48% | 9.48% |
| 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 | 13.18% | 13.18% |

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

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

General Information about the Pension Plan (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 \$280,323 and \$264,786 for the years ended December 31, 2021 and 2020, respectively.

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

At December 31, 2021, the District reported a liability of \$1,511,653 for its proportionate share of the net pension liability. The net pension liability for the District was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019.

Standard update procedures were used to roll forward the total pension liability to December 31, 2020. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2020 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2020, the District's proportion was 0.29007%, which was an increase of 0.00196% from its proportion measured as of December 31, 2019.

For the years ended December 31, 2021 and 2020, the District recognized pension expense of \$187,127 and pension expense of \$113,032, respectively. At December 31, 2021, 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 | \$ 73,087 | \$ - |
| Changes of Assumptions or Other Inputs | 365,307 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 1,634,769 |
| Changes in Proportion and Difference Between Contributions Recognized and Proportionate Share Shares of Contributions | 29,230 | - |
| Contributions Subsequent to the Measurement Date | 280,317 | - |
| Total | \$ 747,941 | \$ 1,634,769 |

At December 31, 2020, the District reported a liability of \$2,107,230 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

At December 31, 2020, 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 | \$ 137,894 | \$ - |
| Changes of Assumptions or Other Inputs | - | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 862,096 |
| Changes in Proportion and Difference Between Contributions Recognized and Proportionate Share Shares of Contributions | 94,734 | 19,765 |
| Contributions Subsequent to the Measurement Date | 264,786 | - |
| Total | <u>\$ 497,414</u> | <u>\$ 881,861</u> |

As of December 31, 2021, \$280,317 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|-----------------------|
| 2022 | \$ (159,044) |
| 2023 | (195,940) |
| 2024 | (554,157) |
| 2025 | (258,004) |
| Total | <u>\$ (1,167,145)</u> |

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

| | |
|---|---------------------|
| 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 Postretirement Benefit Increases: | |
| PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic) | 1.25% |
| PERA Benefit Structure hired after December 31, 2006 | Financed by the AIR |

¹ Postretirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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% factor applied to male rates and a 55% factor applied to female rates.

Postretirement nondisabled mortality assumptions 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% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% 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 actuarial assumptions used in the December 31, 2019, 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.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period 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.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

| | |
|---|---------------------|
| Actuarial Cost Method | Entry Age |
| Price Inflation | 2.30% |
| Real Wage Growth | 0.70% |
| Wage Inflation | 3.00% |
| Salary Increases, Including Wage Inflation: | |
| Members Other than State Troopers | 3.20 - 11.30% |
| State Troopers | 3.20 - 12.40% |
| Long-Term Investment Rate of Return Net of Pension | |
| Plan Investment Expenses, Including Price Inflation | 7.25% |
| Discount Rate | 7.25% |
| Postretirement Benefit Increases: | |
| PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Compounded Annually) | 1.25% |
| PERA Benefit Structure hired after December 31, 2006 | Financed by the AIR |

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of "State Troopers" to include certain employees within the LGDTF, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

² Postretirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Postretirement nondisabled mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement nondisabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Postretirement nondisabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40% per year to 2.30% per year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Several factors are considered in evaluating the long-term rate of return assumption, 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 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30-Year Expected Geometric Real Rate of Return</u> |
|--------------------|------------------------------|---|
| Global Equity | 54.00 % | 5.60 % |
| Fixed Income | 23.00 | 1.30 |
| Private Equity | 8.50 | 7.10 |
| Real Estate | 8.50 | 4.40 |
| Alternatives | 6.00 | 4.70 |
| Total | <u>100.00</u> | |

The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal rate of return assumption of 7.25%.

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 3.00%.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increase 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include 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 reflect 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 to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, 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 FNP 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.

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, 2021 and 2020, 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 2021 and 2020:

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

| | | <u>Year Ended December 31, 2021</u> | | |
|--|----------------------|---|--|---|
| | | <u>One Percent Decrease (6.25%)</u> | <u>Current Discount Rate (7.25%)</u> | <u>One Percent Increase (8.25%)</u> |
| | <u>Discount Rate</u> | | | |
| Proportionate Share of the Net Pension Liability | | <u>\$ 3,482,246</u> | <u>\$ 1,511,653</u> | <u>\$ (133,535)</u> |
| | | <u>Year Ended December 31, 2020</u> | | |
| | | <u>One Percent Decrease (6.25%)</u> | <u>Current Discount Rate (7.25%)</u> | <u>One Percent Increase (8.25%)</u> |
| | <u>Discount Rate</u> | | | |
| Proportionate Share of the Net Pension Liability | | <u>\$ 3,870,825</u> | <u>\$ 2,107,230</u> | <u>\$ 624,064</u> |

Pension Plan Fiduciary Net Position

Detailed information about the LGDTF's fiduciary net position is available in PERA's annual comprehensive financial report, which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit other postemployment 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.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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 annual comprehensive financial report (ACFR) 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 are eligible for a premium subsidy if enrolled in a health care plan under PERACare.

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.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB Plan (Continued)

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% 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 \$21,661 and \$20,892 for the years ended December 31, 2021 and 2020, respectively.

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

At December 31, 2021 and 2020, the District reported a liability of \$210,471 and \$248,020 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF. At December 31, 2020, the District's proportion was 0.02215%, which was an increase of 0.00001% from its proportion measured as of December 31, 2019.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

For the years ended December 31, 2021 and 2020, the District recognized OPEB expense of \$8,136 and \$18,447, respectively. At December 31, 2021, 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 | \$ 559 | \$ 46,272 |
| Changes of Assumptions or other Inputs | 1,573 | 12,906 |
| Net Difference between Projected and Actual | | |
| Earnings on OPEB Plan Investments | - | 8,600 |
| Changes in Proportion and Differences between | | |
| Contributions Recognized and Proportionate Share | | |
| Shares of Contributions | 15,498 | 5,746 |
| Contributions Subsequent to the Measurement Date | 21,661 | - |
| Total | <u>\$ 39,291</u> | <u>\$ 73,524</u> |

At December 31, 2020, 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 | \$ 823 | \$ 41,677 |
| Changes of Assumptions or other Inputs | 2,058 | - |
| Net Difference between Projected and Actual | | |
| Earnings on OPEB Plan Investments | - | 4,140 |
| Changes in Proportion and Differences between | | |
| Contributions Recognized and Proportionate Share | | |
| Shares of Contributions | 19,471 | 7,636 |
| Contributions Subsequent to the Measurement Date | 20,892 | - |
| Total | <u>\$ 43,244</u> | <u>\$ 53,453</u> |

\$21,661 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|--------------------|
| 2022 | \$ (12,139) |
| 2023 | (10,936) |
| 2024 | (14,962) |
| 2025 | (12,289) |
| 2026 | (5,228) |
| Thereafter | (340) |
| Total | <u>\$ (55,894)</u> |

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 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 | 8.10% in 2020, gradually decreasing to 4.50% in 2029 |
| Medicare Part A Premiums | 3.50% for 2020, gradually increasing to 4.50% in 2029 |

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

| | <u>Initial Costs for Members Without Medicare Part A</u> | | |
|--|--|------------------------|--|
| | <u>Monthly Cost</u> | <u>Monthly Premium</u> | <u>Monthly Cost Adjusted to Age 65</u> |
| Medicare Advantage/Self-Insured Prescription | \$ 588 | \$ 227 | \$ 550 |
| Kaiser Permanente Medicare Advantage HMO | 621 | 232 | 586 |

The 2020 Medicare Part A premium is \$458 per month.

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.

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, 2019, 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> |
|-------------|--------------------------------|---------------------------------|
| 2020 | 8.10% | 3.50% |
| 2021 | 6.40% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.70% | 3.75% |
| 2024 | 5.50% | 4.00% |
| 2025 | 5.30% | 4.00% |
| 2026 | 5.10% | 4.00% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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% factor applied to male rates and a 55% factor applied to female rates.

Postretirement nondisabled 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% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

Postretirement nondisabled 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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% 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 actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period 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.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

| | Trust Fund | | | |
|---|-------------------|--------------------|---------------------------------|----------------------|
| | State Division | School Division | Local Government Division | Judicial Division |
| | Entry age | Entry age | Entry age | Entry age |
| Actuarial Cost Method | | | | |
| Price Inflation | 2.30% | 2.30% | 2.30% | 2.30% |
| Real Wage Growth | 0.70% | 0.70% | 0.70% | 0.70% |
| Wage Inflation | 3.00% | 3.00% | 3.00% | 3.00% |
| Salary Increases, including wage inflation: | | | | |
| Members other than State Troopers | 3.30%-10.90% | 3.40%-11.00% | 3.20%-11.30% | 2.80%-5.30% |
| State Troopers | 3.20%-12.40% | N/A | 3.20%-12.40% | N/A |

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25%.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Postretirement nondisabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement nondisabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Postretirement nondisabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement nondisabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Postretirement nondisabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 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.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

Price inflation assumption decreased from 2.40% per year to 2.30% per year.

- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Several factors are considered in evaluating the long-term rate of return assumption, 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 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30-Year Expected Geometr Real Rate of Retur</u> |
|--------------------|------------------------------|--|
| Global Equity | 54.00 % | 5.60 % |
| Fixed Income | 23.00 | 1.30 |
| Private Equity | 8.50 | 7.10 |
| Real Estate | 8.50 | 4.40 |
| Alternatives | 6.00 | 4.70 |
| Total | <u>100.00</u> | |

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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, 2021 and 2020, 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:

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

| | Year ended December 31, 2021 | | |
|---|---------------------------------------|--------------------------------|---------------------------------------|
| | <u>1% Decrease in Trend Rates</u> | <u>Current Trend Rates</u> | <u>1% Increase in Trend Rates</u> |
| Initial PERACare Medicare Trend Rate | 7.10% | 8.10% | 9.10% |
| Ultimate PERACare Medicare Trend Rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A Trend Rate | 2.50% | 3.50% | 4.50% |
| Ultimate Medicare Part A Trend Rate | 3.50% | 4.50% | 5.50% |
| Proportionate Share of the Net OPEB Liabi | \$ 205,031 | \$ 210,471 | \$ 216,804 |

| | Year ended December 31, 2020 | | |
|---|---------------------------------------|--------------------------------|---------------------------------------|
| | <u>1% Decrease in Trend Rates</u> | <u>Current Trend Rates</u> | <u>1% Increase in Trend Rates</u> |
| Initial PERACare Medicare Trend Rate | 4.60% | 5.60% | 6.60% |
| Ultimate PERACare Medicare Trend Rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A Trend Rate | 2.50% | 3.50% | 4.50% |
| Ultimate Medicare Part A Trend Rate | 3.50% | 4.50% | 5.50% |
| Proportionate Share of the Net OPEB Liabi | \$ 242,129 | \$ 248,020 | \$ 254,828 |

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, 2019, 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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% 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%.

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

For the years ended December 31, 2021 and 2020, 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:

| <u>Discount Rate:</u> | Year ended December 31, 2021 | | |
|---|-------------------------------------|----------------------------------|--------------------------------|
| | Current | | |
| | 1% Decrease (6.25%) | Discount Rate (7.25%) | 1% Increase (8.25%) |
| Proportionate Share of the Net OPEB Liabi | \$ 241,098 | \$ 210,471 | \$ 184,302 |
| | Year ended December 31, 2020 | | |
| | Current | | |
| <u>Discount Rate:</u> | 1% Decrease (6.25%) | Discount Rate (7.25%) | 1% Increase (8.25%) |
| Proportionate Share of the Net OPEB Liabi | \$ 280,437 | \$ 248,020 | \$ 220,297 |

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued annual comprehensive 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 annual comprehensive financial report for the 401(k) Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 11 VOLUNTARY INVESTMENT PROGRAM (CONTINUED)

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$19,500 for the calendar year 2021 and \$19,500 for the calendar year 2020). Catch-up contributions up to \$6,500 and \$6,500 for calendar years 2021 and 2020, 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, 2021 and 2020, the 401(k) Plan member contributions were \$145,062 and \$149,972, respectively.

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, 2021, 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% 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.

**LEFT HAND WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 14 TABOR COMPLIANCE (CONTINUED)

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

10% 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Plan Measurement Date | December 31, 2020 | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 | December 31, 2014 |
| District's Proportion of the Net Pension Liability | 0.2900737868% | 0.2881126485% | 0.2716711225% | 0.2823013025% | 0.2693165236% | 0.2852232665% | 0.2848006488% |
| District's Proportional Share of the Net Pension Liability \$ | 1,511,653 | \$ 2,107,230 | \$ 3,415,481 | \$ 3,143,227 | \$ 3,636,691 | \$ 3,141,965 | \$ 2,552,694 |
| District's Covered Payroll | 2,048,275 | 1,984,072 | 1,781,873 | 1,780,481 | 1,632,395 | 1,619,847 | 1,560,580 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 73.80% | 106.21% | 191.68% | 176.54% | 222.78% | 193.97% | 163.57% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 90.88% | 86.26% | 75.96% | 79.37% | 73.65% | 76.87% | 80.72% |

* 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
SCHEDULE OF PENSION CONTRIBUTIONS
2012 – 2021**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily Required Contribution | \$ 280,317 | \$ 264,786 | \$ 251,577 | \$ 225,942 | \$ 225,765 | \$ 206,988 | \$ 205,397 | \$ 197,882 | \$ 187,607 | \$ 202,677 |
| Contributions in Relation to the Statutorily Required Contribution | 280,317 | 264,786 | 251,577 | 225,942 | 225,765 | 205,397 | 197,882 | 187,358 | 202,677 | 209,505 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 2,123,656 | \$ 2,048,275 | \$ 1,984,072 | \$ 1,781,873 | \$ 1,780,481 | \$ 1,632,395 | \$ 1,619,847 | \$ 1,560,580 | \$ 1,477,587 | \$ 1,598,396 |
| Contributions as a Percentage of Covered Payroll | 13.18% | 12.93% | 12.68% | 12.68% | 12.68% | 12.58% | 12.22% | 12.01% | 13.72% | 13.11% |

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

| | 2021 | 2020 | 2019 | 2018 |
|---|-------------------|-------------------|-------------------|-------------------|
| Plan Measurement Date | December 31, 2020 | December 31, 2019 | December 31, 2018 | December 31, 2017 |
| District's Proportion of the Net OPEB Liability | 0.0221495890% | 0.0220658883% | 0.0210681167% | 0.0219361185% |
| District's Proportional Share of the Net OPEB Liability | \$ 210,471 | \$ 248,020 | \$ 286,641 | \$ 285,082 |
| District's Covered Payroll | 2,048,275 | 1,984,072 | 1,781,873 | 1,780,481 |
| District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 10.28% | 12.50% | 16.09% | 16.01% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 32.78% | 24.49% | 17.03% | 17.53% |

* 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
SCHEDULE OF OPEB CONTRIBUTIONS
2012 – 2021**

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Statutorily Required Contribution | \$ 21,661 | \$ 20,892 | \$ 20,238 | \$ 18,175 | \$ 18,165 | \$ 16,650 | \$ 16,522 | \$ 15,918 | \$ 15,071 | \$ 16,304 |
| Contributions in Relation to the Statutorily Required Contribution | 21,661 | 20,892 | 20,238 | 18,175 | 18,165 | 16,650 | 16,522 | 15,918 | 15,071 | 16,304 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

| | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------|
| District's Covered Payroll | \$ 2,123,656 | \$ 2,048,275 | \$ 1,984,072 | \$ 1,781,873 | \$ 1,780,481 | \$ 1,632,395 | \$ 1,619,847 | \$ 1,560,580 | \$ 1,477,587 | |
| Contributions as a Percentage of Covered Payroll | 1.02% | 1.02% | 0.99% | 0.92% | 1.02% | 0.94% | 1.01% | 0.98% | 0.97% | 1.10% |

SUPPLEMENTARY INFORMATION

**LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2021**

| | 2021 BUDGET | 2021 ACTUAL | VARIANCE WITH FINAL BUDGET |
|--|------------------------|------------------------|---------------------------------------|
| OPERATING FUND | | | |
| SOURCES OF FUNDS | | | |
| Operating Revenue | 11,842,500 | 11,619,936 | (222,564) |
| Non-Operating Revenue | 551,370 | 483,195 | (68,175) |
| Transfers from Capital Fund | 913,490 | 913,490 | - |
| TOTAL SOURCES OF FUNDS | 13,307,360 | 13,016,621 | (290,739) |
| USES OF FUNDS | | | |
| Operating Expenditures | 6,577,370 | 5,999,698 | 577,672 |
| Non-Operating Expenditures | 74,000 | 46,218 | 27,782 |
| Debt Service | 2,679,670 | 2,233,568 | 446,102 |
| Capital Expenditures | 364,600 | 69,680 | 294,920 |
| Transfers to Other Funds | 2,200,000 | 2,200,000 | - |
| TOTAL USES OF FUNDS | 11,895,640 | 10,549,164 | (99,091) |
| NET INCREASE/(DECREASE) IN FUND | 1,411,720 | 2,467,457 | (191,648) |
| CAPITAL FUND | | | |
| SOURCES OF FUNDS | | | |
| Customer Tap and Line Fees | 1,036,000 | 1,000,130 | (35,870) |
| Debt Proceeds | - | - | - |
| Transfers from Operating Fund | - | - | - |
| TOTAL SOURCES OF FUNDS | 1,036,000 | 1,000,130 | (35,870) |
| USES OF FUNDS | | | |
| Construction | 2,616,250 | 398,209 | 2,218,041 |
| Transfers to Operating Fund | 913,490 | 913,490 | - |
| TOTAL USES OF FUNDS | 3,529,740 | 1,311,699 | 2,218,041 |
| NET INCREASE/(DECREASE) IN FUND | (2,493,740) | (311,569) | (2,253,911) |

**LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO
ACTUAL (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

| | BUDGET | ACTUAL | FINAL BUDGET |
|--|------------------|------------------|--------------------|
| REPLACEMENT FUND | | | |
| SOURCES OF FUNDS | | | |
| Transfers from Operating Fund | 2,200,000 | 2,200,000 | - |
| TOTAL SOURCES OF FUNDS | 2,200,000 | 2,200,000 | - |
| USES OF FUNDS | | | |
| Construction | 2,261,000 | 946,192 | 1,314,808 |
| TOTAL USES OF FUNDS | 2,261,000 | 946,192 | 1,314,808 |
| NET INCREASE/(DECREASE) IN FUND | (61,000) | 1,253,808 | (1,314,808) |
| WATER ACQUISITION FUND | | | |
| SOURCES OF FUNDS | | | |
| Customer Tap Fees | 2,238,750 | 2,707,860 | 469,110 |
| Transfers from Operating Fund | - | - | - |
| TOTAL SOURCES OF FUNDS | 2,238,750 | 2,707,860 | 469,110 |
| USES OF FUNDS | | | |
| Water Rights Acquisition | - | - | - |
| NISP Participation | 1,788,500 | 1,788,500 | - |
| TOTAL USES OF FUNDS | 1,788,500 | 1,788,500 | - |
| NET INCREASE/(DECREASE) IN FUND | 450,250 | 919,360 | 469,110 |

**LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO
ACTUAL (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

| | BUDGET | ACTUAL | FINAL BUDGET |
|---|-------------------|-------------------|---------------------|
| CONSOLIDATED FUNDS | | | |
| SOURCES OF FUNDS | | | |
| Operating Fund | 13,307,360 | 13,016,621 | (290,739) |
| Capital Fund | 1,036,000 | 1,000,130 | (35,870) |
| Replacement Fund | 2,200,000 | 2,200,000 | - |
| Water Acquisition Fund | 2,238,750 | 2,707,860 | 469,110 |
| TOTAL SOURCES OF FUNDS | 18,782,110 | 18,924,611 | 142,501 |
| Less Interfund Transfers | (3,113,490) | (3,113,490) | - |
| TOTAL NET SOURCES OF FUNDS | 15,668,620 | 15,811,121 | 142,501 |
| USES OF FUNDS | | | |
| Operating Fund | 11,895,640 | 10,549,164 | 1,346,476 |
| Capital Fund | 3,529,740 | 1,311,699 | 2,218,041 |
| Replacement Fund | 2,261,000 | 946,192 | 1,314,808 |
| Water Acquisition Fund | 1,788,500 | 1,788,500 | - |
| TOTAL USES OF FUNDS | 19,474,880 | 14,595,555 | 4,879,325 |
| Less Interfund Transfers | (3,113,490) | (3,113,490) | - |
| TOTAL NET USES OF FUNDS | 16,361,390 | 11,482,065 | (486,668) |
| NET CONSOLIDATED INCREASE/(DECREASE) | (692,770) | 4,329,056 | 3,212,159 |



**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, 2021, 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 9, 2022.

Report On 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. 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 were not identified.

Report On 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 financial statement. 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Broomfield, Colorado
May 9, 2022

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