

LONGS PEAK WATER DISTRICT, COLORADO

FINANCIAL STATEMENTS

December 31, 2021

LONGS PEAK WATER DISTRICT, COLORADO
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DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

May 24, 2022

Board of Directors
Longs Peak Water District
Longmont, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Longs Peak 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 as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

Responsibilities of Management for the Financial Statements

The District's 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 the District's ability to continue as a going concern for one year after the date that the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's 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 auditor's 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 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, 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 the 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 the 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 on pages 4-6 and pension information on pages 31-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenue and expenditures compared with the budget on pages 33-34 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenue and expenditures compared with the budget are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenue and expenditures compared with the budget are 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 24, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ATLAS CPAs & Advisors PLLC

Longmont, Colorado

May 24, 2022



LONGS PEAK WATER DISTRICT, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2021

This is an analysis and overview of the financial activities of the Longs Peak Water District (the District) for the year ended December 31, 2021. This information should be read in conjunction with the financial statements and notes which follow:

FINANCIAL HIGHLIGHTS

- As of December 31, 2021, approximately \$15.4 million was held in net position for the provision of future services to citizens.
- For fiscal year 2021, the total net position increased by \$405,011 or 2.7% from 2020. This was primarily from disposal of capital assets.
- Operating revenue for 2021 totaled \$1.37 million, which is a slight decrease of 0.17% from 2020. This was primarily due to a decrease in miscellaneous revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the District's financial statements which follow. The statements include:

1. Statement of Net Position
2. Statement of Revenue, Expenses, and Changes in Net Position
3. Statement of Cash Flows
4. Notes to Financial Statements.

Statements of revenue, expenses, and changes in net position present the District revenue and expenses for the year ended December 31, 2021.

Statements of cash flows show the net cash flows from activities for the year ended December 31, 2021.

These statements are in compliance with Governmental Accounting Standards Board (GASB) Statements. These pronouncements address the requirements for financial statement presentation and certain disclosures for state and local governmental entities. The District's financial statements comply with all material requirements of these pronouncements.

These statements provide a snapshot of the District's assets and liabilities as of December 31, 2021 and the activities which occurred during the year. All statements were prepared using the accrual basis of accounting as required by GASB.

Notes to financial statements provide additional information which is essential to a full understanding of the basic financial statements.

**LONGS PEAK WATER DISTRICT, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(CONTINUED)**

FINANCIAL ANALYSIS

As of December 31, the District's net position was:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|----------------------|----------------------|
| Cash | \$ 574,454 | \$ 428,310 |
| Investments | 2,759,495 | 2,806,547 |
| Receivables, net | 51,536 | 43,815 |
| Prepays | 41,575 | - |
| Capital Assets, net | 12,492,878 | 12,379,558 |
| Deferred Outflows of resources | <u>118,005</u> | <u>76,248</u> |
| Total Assets and Deferred Outflows | <u>16,037,943</u> | <u>15,734,478</u> |
| Less Liabilities and Deferred Inflows | <u>609,425</u> | <u>710,971</u> |
| Net Position | <u>\$ 15,428,518</u> | <u>\$ 15,023,507</u> |

The following is a comparison of the District's results of operations:

| | 2021 | 2020 |
|----------------------------|-------------------|-------------------|
| Revenues: | | |
| Water sales | \$ 1,296,708 | \$ 1,299,327 |
| Other income | 245,043 | 227,377 |
| Capital contributions | <u>51,098</u> | <u>282,129</u> |
| Total Revenues | <u>1,592,849</u> | <u>1,808,833</u> |
| Expenses: | | |
| Operating expenses: | | |
| Cost of water | 240,642 | 242,885 |
| Water operating | 611,609 | 811,216 |
| General and administrative | <u>335,587</u> | <u>354,628</u> |
| Total Expenses | <u>1,187,838</u> | <u>1,408,729</u> |
| Net Income | <u>\$ 405,011</u> | <u>\$ 400,104</u> |

Net position has changed due to the following:

- During 2021, revenue decreased approximately 12%, due to a decrease in capital contributions.
- During 2021, expenses decreased by 16%, caused in part by decreases in payroll costs, in overall operating expenses related to COVID, and also due to a decrease in water treatment costs.

**LONGS PEAK WATER DISTRICT, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(CONTINUED)**

CAPITAL ASSETS

Capital Assets. The District's investment in capital assets for its governmental type activities as of December 31, 2021, totals \$12,492,878 (net of accumulated depreciation). This investment includes all land, buildings, vehicles, and equipment. The total increase in capital assets for the current year was \$113,320.

The District implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land and water rights which are not depreciated. Additional information on the District's capital assets can be found in Note 3 of this report.

REQUESTS FOR INFORMATION

This discussion and analysis is designed to provide a general overview of the District's activities for the year ended December 31, 2021. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: General Manager, Longs Peak Water District, 9875 Vermillion Road, Longmont, CO 80504.

LONGS PEAK WATER DISTRICT, COLORADO
STATEMENT OF NET POSITION
DECEMBER 31, 2021

| | |
|--|----------------------|
| ASSETS AND DEFERRED OUTFLOWS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 574,454 |
| Investments | 2,759,495 |
| Accounts receivable | 51,536 |
| Prepays | 41,575 |
| TOTAL CURRENT ASSETS | 3,427,060 |
| CAPITAL ASSETS | |
| Land, ditch stock, and water rights | 7,565,876 |
| Capital assets, depreciable | 9,971,647 |
| Total capital assets | 17,537,523 |
| Accumulated depreciation | (5,044,645) |
| NET CAPITAL ASSETS | 12,492,878 |
| TOTAL ASSETS | 15,919,938 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources related to pensions | 117,649 |
| Deferred outflows of resources related to OPEB | 356 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 118,005 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$ 16,037,943 |
| LIABILITIES AND DEFERRED INFLOWS | |
| CURRENT LIABILITIES | |
| Accounts payable | \$ 22,133 |
| Accrued payroll and liabilities | 15,827 |
| Unearned revenue | 164 |
| TOTAL CURRENT LIABILITIES | 38,124 |
| LONG-TERM LIABILITIES | |
| Net pension liability | 252,158 |
| Net OPEB liability | 35,134 |
| TOTAL LONG-TERM LIABILITIES | 287,292 |
| TOTAL LIABILITIES | 325,416 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources related to pensions | 272,695 |
| Deferred inflows of resources related to OPEB | 11,314 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 284,009 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | 609,425 |
| NET POSITION | |
| Net investment in capital assets | 12,492,878 |
| Unrestricted | 2,935,640 |
| TOTAL NET POSITION | \$ 15,428,518 |

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

LONGS PEAK WATER DISTRICT, COLORADO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2021

| | |
|--|---------------|
| OPERATING REVENUES | |
| Water sales | \$ 1,296,708 |
| Miscellaneous water income | 77,470 |
| | 1,374,178 |
| TOTAL OPERATING REVENUES | |
| OPERATING EXPENSES | |
| Water treatment | 154,518 |
| Water rights assessments | 86,124 |
| Administration | 335,587 |
| Water operating expenses | 611,609 |
| | 1,187,838 |
| TOTAL OPERATING EXPENSES | |
| OPERATING INCOME | 186,340 |
| NONOPERATING REVENUE | |
| Rental income | 93,171 |
| Interest income | 1,334 |
| Gain on disposal of property and equipment | 73,068 |
| | 167,573 |
| NONOPERATING REVENUE | |
| NET INCOME BEFORE CAPITAL CONTRIBUTIONS | |
| | 353,913 |
| CAPITAL CONTRIBUTIONS | |
| Capital contributions | 51,098 |
| | 51,098 |
| CHANGE IN NET POSITION | |
| | 405,011 |
| NET POSITION, Beginning of Year | |
| | 15,023,507 |
| NET POSITION, Ending | |
| | \$ 15,428,518 |

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

LONGS PEAK WATER DISTRICT, COLORADO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

| | |
|---|--------------------------|
| Cash Flows From Operating Activities: | |
| Cash Received from Customers | \$ 1,366,457 |
| Cash Paid to Suppliers and Employees | <u>(1,101,126)</u> |
| Net Cash Provided by Operating Activities | <u>265,331</u> |
| Cash Flows From Capital and Related Financing Activities: | |
| Capital contributions | 51,098 |
| Purchase of property and equipment | (752,437) |
| Proceeds from sale of equipment | <u>487,647</u> |
| Net Cash (Used) by Capital Financing Activities | <u>(213,692)</u> |
| Cash Flows From Noncapital Financing Activities: | |
| Other non-operating revenue | <u>93,171</u> |
| Cash Flows From Investing Activities: | |
| Interest and dividends received | <u>1,334</u> |
| Net Cash Provided by Investing Activities | <u>1,334</u> |
| Net Increase in Cash | 146,144 |
| CASH AND INVESTMENTS, Beginning | <u>428,310</u> |
| CASH AND INVESTMENTS, Ending | <u><u>\$ 574,454</u></u> |
| Reconciliation of Operating Income to Net Cash | |
| Provided by Operating Activities: | |
| Operating Income | <u>\$ 186,340</u> |
| Adjustments to Reconcile Operating Income | |
| to Net Cash Provided by Operating Activities: | |
| Depreciation Expense | 271,590 |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Accounts receivable | (7,721) |
| (Increase) Decrease in Prepaids | (41,575) |
| (Increase) Decrease in Deferred outflows related to pensions | (41,401) |
| (Increase) Decrease in Deferred outflows related to OPEB | (356) |
| Increase (Decrease) in Accounts payable | 30,455 |
| Increase (Decrease) in Accrued payroll and liabilities | (35,028) |
| Increase (Decrease) in Net pension liability | (186,677) |
| Increase (Decrease) in Net OPEB liability | (14,772) |
| Increase (Decrease) Deferred inflows of resources related to pensions | 93,162 |
| Increase (Decrease) Deferred inflows of resources related to OPEB | <u>11,314</u> |
| Total Adjustments | <u>78,991</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 265,331</u></u> |

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

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - Summary of Significant Accounting Policies

This summary of the Longs Peak Water District's (the "District") significant accounting policies is to assist the reader with interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

Form of Organization:

The District is an independent governmental entity organized in 1960, under the provisions of the Colorado Revised Statutes. The District's Board of Directors is elected by property owners of the District and has the responsibilities for designation of management, operational decisions, and budget matters. The District is fully responsible for its financial matters and is not financially interdependent with another governmental unit. Revenues are derived by service charges determined by the Board. The District exists for the benefit of its residents and services of the District are generally available to the residents of the District.

Scope of Reporting Entity:

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

Financial Reporting Entity:

For financial reporting purposes, management has considered all potential component units in defining the District. The basic criterion for including a potential component unit is the District's ability to exercise significant operational control or financial accountability with the District. Financial relationship or operational control is determined on the basis of the District's obligation to fund deficits, responsibility for debt, budgetary authority, fiscal management, selection of governing authority and/or management, and the ability to significantly influence operations.

Based on the criteria mentioned above, no other entities are considered to be component units of the District, nor is the District a component unit of any other governmental entity.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting:

The District currently operates as a business-type activity, which is accounted for as an "Enterprise Fund" as prescribed in governmental accounting standards because the intent of the Board is that costs and expenses (including depreciation) of providing services to its customers be financed or recovered primarily through user charges. The accrual basis of accounting is utilized for its operations. The District does not use encumbrance accounting.

The Enterprise Fund is accounted for on a cost of services "capital maintenance" measurement focus. Under this concept, all assets and all liabilities (whether current or noncurrent) associated with the activity are reported on the balance sheet. The reported fund equity (net position) is segregated into net investment in capital assets and unrestricted components. The proprietary fund type operation statement reports increases (revenues) and decreases (expenses) in net position.

Enterprise funds distinguish *operating* from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are water charges and related services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash Equivalents:

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are stated at cost except for property received by donation or contribution, which is stated at its estimated fair market value at the time it is received by the District. The cost of maintenance and repairs is charged against income as incurred; significant renewals, betterments, and improvements are capitalized.

Depreciation has been computed using the straight-line method based on lives of 30 to 50 years for the treatment plant and distribution lines and 5 to 10 years for service equipment.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Compensated Absences:

Employees of the District are entitled to paid vacation time depending on length of service. Accrued compensated absences totaled \$14,062 at December 31, 2021.

Budgets:

Colorado state law requires the adoption of an annual budget. Appropriations lapse at the end of each year. The budget and related appropriations are prepared on the budgetary basis, which differs from accounting principles generally accepted in the United States, in that:

- * Capital outlays are budgeted as expenditures.
- * Depreciation is not budgeted.

The District's Board of Directors adopts total budget appropriations for each of its funds. This is normally done in December of each year when notice is published in local newspapers and the proposed budget is held open for inspection by the taxpayers and a public hearing is held. The Board may transfer budget amounts between departments within any fund; however, any revision that alters the total appropriation of any fund requires that a budget revision be adopted by resolution in the same manner described above for adoption of the original budget. The level of budgetary responsibility is by total fund appropriations.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1- Summary of Significant Accounting Policies (Continued)

Pensions:

Longs Peak Water District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multi-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.

Other Postemployment Benefits (OPEB):

Longs Peak Water District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, 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.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - Cash and Investments

The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the Authority's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

The District's investment policy is not more restrictive than State statutes. The District's investments are concentrated in bank CD's of \$250,000 or less.

At December 31, 2021, the District had invested \$2,759,495 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is valued at the net asset value (NAV) of \$1.00. Investments of COLOTRUST consist of bills, notes, and bonds issued by the U.S. Treasury or a government agency, and repurchase agreements secured by such obligations. COLOTRUST is rated AAA by Standard & Poor's. The District's interest is valued at NAV.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - Capital Assets

| | <u>Balance</u> <u>1/1/21</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/21</u> |
|--|---------------------------------|---------------------|---------------------|-----------------------------------|
| Not depreciated: | | | | |
| Land and water rights | \$ 6,446,854 | \$ 1,486,549 | \$ 367,527 | \$ 7,565,876 |
| Construction in progress | 1,637,163 | - | 1,637,163 | - |
| Water exchange | 164,206 | - | 22,964 | 141,242 |
| Depreciable capital assets: | | | | |
| Distribution system | 4,913,578 | 850,591 | | 5,773,169 |
| Water treatment plant | 1,796,503 | 12,000 | - | 1,808,503 |
| Office building | 1,010,904 | | | 1,010,904 |
| Brown water distribution | 19,573 | | | 19,573 |
| Interconnect project - Little Thompson | 793,217 | | | 793,217 |
| Maintenance equipment | 275,661 | - | - | 275,661 |
| Office equipment | <u>117,918</u> | <u>31,460</u> | <u>-</u> | <u>149,378</u> |
| | <u>17,175,577</u> | <u>2,389,600</u> | <u>2,027,654</u> | <u>17,537,523</u> |
| Less Accumulated Depreciation | <u>4,796,019</u> | <u>248,626</u> | <u>-</u> | <u>5,044,645</u> |
| Net Capital Assets | <u>\$ 12,379,558</u> | <u>\$ 2,140,974</u> | <u>\$ 2,027,654</u> | <u>\$ 12,492,878</u> |

NOTE 4 – Defined Benefit Pension Plan - PERA

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.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - Defined Benefit Pension Plan - PERA (Continued)

Plan description: Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund - a cost-sharing multiple- employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided: PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – Defined Benefit Pension Plan - PERA (Continued)

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's annual increase reserve for the LGDTF.

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

| <u>Years Ended December 31</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Employer contribution rate as a percentage of salary | 10.50% | 10.05% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02) | (1.02) |
| Amount Apportioned to the LGDTF | 9.48 | 9.48 |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 2.20 | 2.20 |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 1.50 | 1.50 |
| Total Employer Contribution Rate to the LGDTF | 13.20% | 13.18% |

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 \$44,520 for the year ended December 31, 2021.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - Defined Benefit Pension Plan - PERA (Continued)

At December 31, 2021 the District reported a liability of \$252,158 for its proportionate share of the net pension liability. The net pension liability 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, 2020. Standard update procedures were used to roll forward the total pension liability to December 31, 2021. 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, 2021, the District's proportion was .05 percent, and was .06 percent for the year ended December 31, 2020.

For the year ended December 31, 2021, the District recognized pension expense of \$19,585. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| December 31, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 12,192 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | 272,695 |
| Changes in assumptions | 60,937 | - |
| Contributions subsequent to the measurement date | <u>44,520</u> | <u>-</u> |
| Total | \$ <u>117,649</u> | \$ <u>272,695</u> |

Deferred outflows of resources related to pensions of \$44,520, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

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 | \$ 39,913 |
| 2023 | 39,913 |
| 2024 | 39,913 |
| 2025 | 39,913 |
| 2026 | <u>39,914</u> |
| | 199,566 |

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – Defined Benefit Pension Plan - PERA (Continued)

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:

| | |
|---|--|
| Price inflation | 2.3 percent |
| Real wage growth | 0.7 percent |
| Wage inflation | 3.0 percent |
| Salary increases, including wage inflation | 3.2 – 11.3 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Future post-retirement benefit increases: PERA | |
| Benefit Structure hired prior to 1/1/07 (automatic) | 1.25 percent |
| PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

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

The actuarial assumptions used in the December 31, 2019, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - Defined Benefit Pension Plan - PERA (Continued)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30 Year Expected Geometric Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global Equity | 54.00% | 5.6% |
| Fixed Income | 23.00% | 1.3% |
| Private Equity | 8.50% | 7.1% |
| Real Estate | 8.50% | 4.4% |
| Alternatives | <u>6.00%</u> | 4.7% |
| Total | <u>100.00%</u> | |

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 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.5 percent every year until they are zero. Based on those assumptions, 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - Defined Benefit Pension Plan - PERA (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| December 31, 2021 | 1% Decrease <u>(6.25%)</u> | Current Discount <u>Rate (7.25%)</u> | 1% Increase <u>(8.25%)</u> |
|--|-------------------------------|---|-------------------------------|
| Proportionate share of the net pension liability | \$ 580,871 | \$252,158 | \$(22,275) |

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

Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - Other Postemployment Benefits - PERA

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit Other Postemployment Benefit Plan (OPEB) fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, 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.

General Information about the OPEB Plan:

Plan description: Eligible employees of the District are provided with OPEB through the HCTF-a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended.

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.

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.

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

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.

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 percent 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 \$3,488 for the year ended December 31, 2021.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - Other Postemployment Benefits - PERA (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2021, the District reported a liability of \$35,134 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF 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, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The District proportion of the net OPEB liability was based on the District contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District proportion was .004 percent, which was approximately the same as its proportion measured as of December 31, 2020.

For the year ended December 31, 2021, the District recognized OPEB expense of \$838. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| December 31, 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 93 | \$ 7,724 |
| Net difference between projected and actual earnings on pension plan investments | | 1,436 |
| Changes in assumptions | 263 | 2,154 |
| Contributions subsequent to the measurement date | <u>-</u> | <u>-</u> |
| Total | \$ <u>356</u> | \$ <u>11,314</u> |

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 | \$ 2,192 |
| 2023 | 2,192 |
| 2024 | 2,192 |
| 2025 | 2,192 |
| 2026 | <u>2,190</u> |
| | 10,958 |

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - Other Postemployment Benefits - PERA (Continued)

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

| | |
|--|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 percent in aggregate |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Health care cost trend rates | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00 percent |
| PERACare Medicare plans | 8.10 percent, gradually decreasing to 4.50% in 2029 |
| Medicare Part A premiums | 3.50 percent in 2020, gradually increasing to 4.50% in 2029 |

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

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - Other Postemployment Benefits - PERA (Continued)

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 noteligible for premium-free Medicare Part A.

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% |

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

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

The actuarial assumptions used in the December 31, 2019 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - Other Postemployment Benefits - PERA (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 long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

| <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 | <u>6.00%</u> | 4.70% |
| Total | <u>100.00%</u> | |

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - Other Postemployment Benefits - PERA (Continued)

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

Sensitivity of the District proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates: The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

| | 1% Decrease in Trend <u>Rates</u> | Current <u>Trend Rates</u> | 1% Increase in Trend <u>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 | <u>3.50%</u> | <u>4.50%</u> | <u>5.50%</u> |
| Net OPEB Liability | \$ <u>26,668</u> | \$ <u>35,134</u> | \$ <u>40,847</u> |

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above.

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

Sensitivity of the District proportionate share of the net OPEB liability to changes in the discount rate: The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25 percent) or one percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease <u>(6.25%)</u> | Current Discount Rate <u>(7.25%)</u> | 1% Increase <u>(8.25%)</u> |
|---|----------------------------------|--|----------------------------------|
| December 31, 2021 | | | |
| Proportionate share of the net OPEB liability | \$ 40,246 | \$ 35,134 | \$ 30,765 |

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - Other Postemployment Benefits - PERA (Continued)

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

NOTE 6 - Ditch Stock and Water Rights

As of December 31, 2021, the District owned the following ditch stock and water rights:

| | |
|-------|--|
| 1,475 | units of Colorado-Big Thompson Water (C-BT) |
| 4 | shares of Supply Irrigation Company |
| 9 | shares of Oligarchy Extension Ditch Company |
| 9 | shares of Lower Oligarchy Ditch Company |
| 6 | shares of Oligarchy Irrigation Ditch Company |
| 4 | shares of Highland Ditch Company |

The District leases its shares of Supply Irrigation Ditch Company and 4 shares of Oligarchy Irrigation Ditch Company, plus 6 shares of Oligarchy Extension Ditch Company, receiving \$1 per year rental plus the annual assessment.

The District is required to make annual assessment payments to the water and ditch companies. The aggregate payments were \$86,124 for the year ended December 31, 2021.

NOTE 7 - Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors and omissions, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization composed of approximately 200 members created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials' liability, and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability and public officials' coverage for claims up to \$1,000,000.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 - Commitments and Contingencies

In 1992, the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from District enterprise activities. The District believes it is in compliance with the requirements of TABOR.

NOTE 9 - Water Exchange Agreement

The District entered into a 30-year agreement with Little Thompson Water District, a major supplier, to furnish the District with treated water effective July 1, 1997. Costs incurred for the purchase of capacity effective July 1, 1997 from Little Thompson Water District (LTWD) in the amount of \$565,000 have been capitalized and are being amortized over the term of the initial intergovernmental agreement with LTWD (30 years). On July 1, 1998, the District purchased additional capacity from LTWD in the amount of \$90,000. Amortization of these costs totaled \$22,964 for the year ended December 31, 2021. Total amount paid for the year ended December 31, 2021 was \$154,518 for the cost of treated water.

LONGS PEAK WATER DISTRICT, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10 – New GASB Pronouncements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, Postponement of Effective Dates of Certain Authoritative Guidance, with the exception of Statement No. 87, which was postponed by one and a half years.

When they become effective, application of these standards may restate portions of these financial statements.

NOTE 11 – Subsequent Events

In preparing the financial statements, the District has evaluated events and transactions for potential disclosure through May 24, 2022, the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2021 that would require disclosure, except those noted below.

On January 3, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The District may be adversely affected through governmental and business closures resulting in a reduction of labor demand or supplies shortages. The District will continue to monitor the situation surrounding COVID-19 and evaluate the impact it will have on future operations.

REQUIRED SUPPLEMENTARY INFORMATION

LONGS PEAK WATER DISTRICT, COLORADO
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
DECEMBER 31, 2021

| Year Ended December 31 | Statutorily Required Contributions | Contributions Made | Covered Payroll | % of Covered Payroll |
|---------------------------|--|-----------------------|--------------------|----------------------------|
| 2021 | \$ 44,520 | \$ 44,520 | \$ 335,587 | 13.3% |
| 2020 | 47,531 | 47,531 | 354,735 | 13.4% |
| 2019 | 49,675 | 49,675 | 378,165 | 13.1% |
| 2018 | 47,977 | 47,977 | 396,745 | 12.1% |
| 2017 | 50,515 | 50,515 | 368,848 | 13.7% |
| 2016 | 48,635 | 48,635 | 358,103 | 13.6% |
| 2015 | 41,304 | 41,304 | 312,925 | 13.2% |

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

| Year Ended December 31 | Statutorily Required Contributions | Contributions Made | Covered Payroll | % of Covered Payroll |
|---------------------------|--|-----------------------|--------------------|----------------------------|
| 2021 | \$ 3,488 | \$ 3,488 | \$ 335,587 | 1.0% |
| 2020 | 3,618 | 3,618 | 354,735 | 1.0% |
| 2019 | 3,996 | 3,996 | 378,165 | 1.0% |
| 2018 | 4,047 | 4,047 | 396,745 | 1.0% |
| 2017 | 3,653 | 3,653 | 368,848 | 1.0% |

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

LONGS PEAK WATER DISTRICT, COLORADO
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION
LIABILITY
DECEMBER 31, 2021

| Year Ended December 31 | Cumulative Proportion of Net Pension Liability | Cumulative Proportionate Share | Covered Payroll | % of Covered Payroll | Plan Net Position as a % of Total Pension Liability |
|---------------------------|---|--------------------------------------|--------------------|----------------------------|--|
| 2021 | 0.05% | \$ 252,158 | \$ 335,587 | 75.1% | 90.9% |
| 2020 | 0.06% | 438,835 | 354,735 | 123.7% | 86.2% |
| 2019 | 0.06% | 754,328 | 378,165 | 199.5% | 76.0% |
| 2018 | 0.06% | 645,789 | 396,745 | 162.8% | 79.3% |
| 2017 | 0.06% | 782,392 | 358,103 | 218.5% | 73.6% |
| 2016 | 0.06% | 585,448 | 312,925 | 187.1% | 76.9% |
| 2015 | 0.06% | 434,319 | 265,519 | 163.6% | 80.7% |

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB
LIABILITY

| Year Ended December 31 | Cumulative Proportion of Net OPEB Liability | Cumulative Proportionate Share | Covered Payroll | % of Covered Payroll | Plan Net Position as a % of Net OPEB Liability |
|---------------------------|--|--------------------------------------|--------------------|----------------------------|---|
| 2021 | 0.004% | \$ 35,134 | \$ 335,587 | 10.5% | 32.8% |
| 2020 | 0.004% | 44,960 | 354,735 | 12.7% | 24.5% |
| 2019 | 0.004% | 61,838 | 378,165 | 16.4% | 17.0% |
| 2018 | 0.004% | 59,132 | 396,145 | 14.9% | 17.5% |
| 2017 | 0.004% | 58,992 | 358,103 | 16.5% | 16.7% |

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

LONGS PEAK WATER DISTRICT, COLORADO
BUDGETARY COMPARISON SCHEDULE
(Non-GAAP Budget Basis)
YEAR ENDED DECEMBER 31, 2021

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
|---|---------------------------------|------------------|---|
| REVENUES | | | |
| Water charges | \$ 1,226,947 | \$ 1,288,987 | \$ 62,040 |
| Brown water system | 55,000 | 57,507 | 2,507 |
| Penalties | 3,000 | 7,917 | 4,917 |
| Back flow device testing | 10,000 | 8,548 | (1,452) |
| Transfer fees | 8,000 | 3,498 | (4,502) |
| Non-operating revenues | | | |
| Interest income | 10,000 | 1,346 | (8,654) |
| Rental income | 95,000 | 93,171 | (1,829) |
| Other | 444,600 | 450,553 | 5,953 |
| Capital contributions | | | |
| Customer taps | 30,750 | 38,640 | 7,890 |
| Fire hydrant fees | - | 2,500 | 2,500 |
| TOTAL REVENUES AND CONTRIBUTIONS | 1,883,297 | 1,952,667 | 69,370 |
| EXPENSES | | | |
| Operating Expenses | | | |
| Salaries - plant | 245,000 | 152,118 | 92,882 |
| Cost of treated water | 210,000 | 154,518 | 55,482 |
| Employee health insurance | 36,400 | 26,500 | 9,900 |
| Payroll taxes | 8,000 | 6,145 | 1,855 |
| Retirement expense | 36,000 | 21,209 | 14,791 |
| Water assessments | 140,000 | 86,124 | 53,876 |
| Maintenance repairs | 54,500 | 68,355 | (13,855) |
| Vehicle operations | 36,000 | 25,989 | 10,011 |
| Supplies - plant - treatment | 40,000 | 40,550 | (550) |
| Supplies - distribution | 35,000 | 32,135 | 2,865 |
| Water testing | 7,000 | 3,820 | 3,180 |
| Education | 2,000 | 1,470 | 530 |
| Engineering | 2,000 | - | 2,000 |
| Safety, training and equipment | 3,000 | 1,180 | 1,820 |
| Sludge hauling | 5,000 | - | 5,000 |
| Utilities | 57,000 | 56,820 | 180 |
| SWSP water rental | 30,000 | 11,390 | 18,610 |
| TOTAL OPERATING EXPENSES | 946,900 | 688,323 | 258,577 |

LONGS PEAK WATER DISTRICT, COLORADO
BUDGETARY COMPARISON SCHEDULE
(Non-GAAP Budget Basis) - CONTINUED
YEAR ENDED DECEMBER 31, 2021

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
|---|---------------------------------|-------------------|---|
| EXPENSES | | | |
| General Administrative | | | |
| Salaries | \$ 170,000 | \$ 184,065 | \$ (14,065) |
| Retirement expense | 25,000 | 23,311 | 1,689 |
| Insurance - health | 7,100 | 3,978 | 3,122 |
| Insurance - liability | 25,000 | 33,342 | (8,342) |
| Telephone | 11,000 | 10,651 | 349 |
| Postage | 10,000 | 8,040 | 1,960 |
| Accounting | 23,000 | 18,323 | 4,677 |
| Directors fees | 6,000 | 5,500 | 500 |
| Information technology | 23,500 | 17,085 | 6,415 |
| Office supplies | 8,000 | 5,549 | 2,451 |
| Credit card fees | 11,000 | 8,628 | 2,372 |
| Dues and subscriptions | 6,000 | 4,402 | 1,598 |
| Newsletter and website | 2,000 | 540 | 1,460 |
| Legal | 7,500 | 6,525 | 975 |
| Educational conferences | 2,000 | 170 | 1,830 |
| Office equipment | 9,000 | 7,593 | 1,407 |
| Miscellaneous | 10,000 | 7,851 | 2,149 |
| TOTAL ADMINISTRATIVE | 356,100 | 345,553 | 10,547 |
| Capital outlay | | | |
| Office equipment and software | 5,000 | - | 5,000 |
| Control systems | 180,000 | 12,801 | 167,199 |
| Emergency generator | 30,000 | 38,815 | (8,815) |
| M Distribution system improvement | 5,000 | 8,371 | (3,371) |
| Backhoe and vehicle purchase | 1,000 | - | 1,000 |
| Treated storage tank | 900,000 | 140 | 899,860 |
| Tap and valve installation | 6,000 | 1,215 | 4,785 |
| SWSP II | 750,000 | 722,243 | 27,757 |
| TOTAL CAPITAL OUTLAY | 1,877,000 | 783,585 | 1,093,415 |
| TOTAL GENERAL ADMINISTRATIVE | 2,233,100 | 1,129,138 | 1,103,962 |
| TOTAL EXPENDITURES | 3,180,000 | 1,817,461 | 1,362,539 |
| NET INCOME (LOSS) - BUDGET BASIS | \$ (1,296,703) | 135,206 | \$ 1,431,909 |
| ADJUSTMENTS TO GAAP BASIS | | | |
| Depreciation | | (271,590) | |
| Pension | | 134,916 | |
| OPEB | | 3,814 | |
| Accounts receivable | | 7,721 | |
| Prepays | | 36,238 | |
| Accounts payable | | (26,800) | |
| Accrued payroll | | 596 | |
| Capital outlay | | 752,437 | |
| Gain on sale of water rights | | (367,527) | |
| CHANGE IN NET POSITION, GAAP BASIS | | \$ 405,011 | |