LEFT HAND WATER DISTRICT

FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

LEFT HAND WATER DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2018

INDEPENDENT AUDITORS' REPORT

Board of Directors
Left Hand Water District
Niwot, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of Left Hand Water District (the District), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the statements of net position of the District as of December 31, 2018 and 2017, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Mater

For the year ended December 31, 2018, Left Hand Water District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result of the implementation of GASB Statement No. 75, Left Hand Water District reported a restatement for the change in accounting principle as of January 1, 2018. See Note 15 for further information. The January 1, 2017 balance was not restated for these changes in accounting principle due to the fact that information was not available to the District to restate net position as of January 1, 2017. Our opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Board of Directors
Left Hand Water District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2019, 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 result of that testing, and not to provide an opinion on the effectiveness of Left Hand Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 11, 2019

INTRODUCTION

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (See page 47) – 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.

2018 HIGHLIGHTS

- As of December 31, 2018, total net position was $114,905,178, representing an increase of $3,910,783 (3.5%) when compared to 2017.
- Operating revenues were $8,950,325 during 2018, a 2.9% increase as compared to 2017.
- In 2018, total operating expenses net of depreciation/amortization were $5,992,201, an increase of 5.2% over 2017.
- Total capital contributions were $3,921,249 in 2018, compared to $8,458,877 in 2017 – a decrease of 53.6%.
- Long-term debt (net of current maturities) increased to $28,932,751 as of December 31, 2018, as compared with the December 31, 2017, balance of $24,914,615.

CONDENSED COMPARATIVE FINANCIAL INFORMATION – STATEMENTS OF NET POSITION

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

	2018	2017
Current Assets	$ 28,247,708	$ 28,658,044
Capital Assets (net of depreciation)	121,837,290	112,757,357
Total Assets	150,084,998	141,415,401
Deferred Outflows of Resources	563,156	985,574
Current Liabilities	2,713,121	2,702,250
Non-Current Liabilities	32,404,738	28,617,426
Total Liabilities	35,117,859	31,319,676
Deferred Inflows of Resources	625,117	86,904
Net Investment in Capital Assets	$ 94,288,265	$ 85,994,788
Restricted	1,763,701	817,546
Unrestricted	18,853,212	24,182,061
Total Net Position	$ 114,905,178	$ 110,994,395

Total Net Position increased in 2018 by just over $3.9 million (3.5%) from the results of operations and capital contributions.

Total Non-Current Liabilities increased by almost $3.8 million in 2018. This includes approximately $2.6 million in funds drawn on the Colorado Water Conservation Board (CWCB) Water Project Loan Program loan to fund the District's proportionate share of construction costs for the Southern Water Supply Project II (SWSPII). In addition, a new $3.1 million loan through the Colorado Water Resources and Power Development Authority (CWR&PDA) Small Hydropower Loan Program (SHLP) was entered into during 2018. This new loan will fund the District's connection to the SWSPII, which will include hydropower generation. Principal payments of just under $1.9 million were made on previously-existing loans. The District's proportionate share of the Colorado Public Employers' Retirement Association (PERA)'s net pension liability also decreased by approximately $500,000 in 2018. Additionally, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of December 31, 2018. With the new reporting change, the District is allocating its proportionate share PERA's net unfunded liability for Other Postemployment Benefits (OPEB), the balance of which was just under $300,000.

Capital Assets represent the largest portion of the District's assets (81.2%) and increased by a net amount of over $9 million during 2018. Approximately $2.6 million of that increase was purchases of additional units of Colorado-Big Thompson (CBT) water. Additional detail regarding acquisitions and construction can be found on the next page.

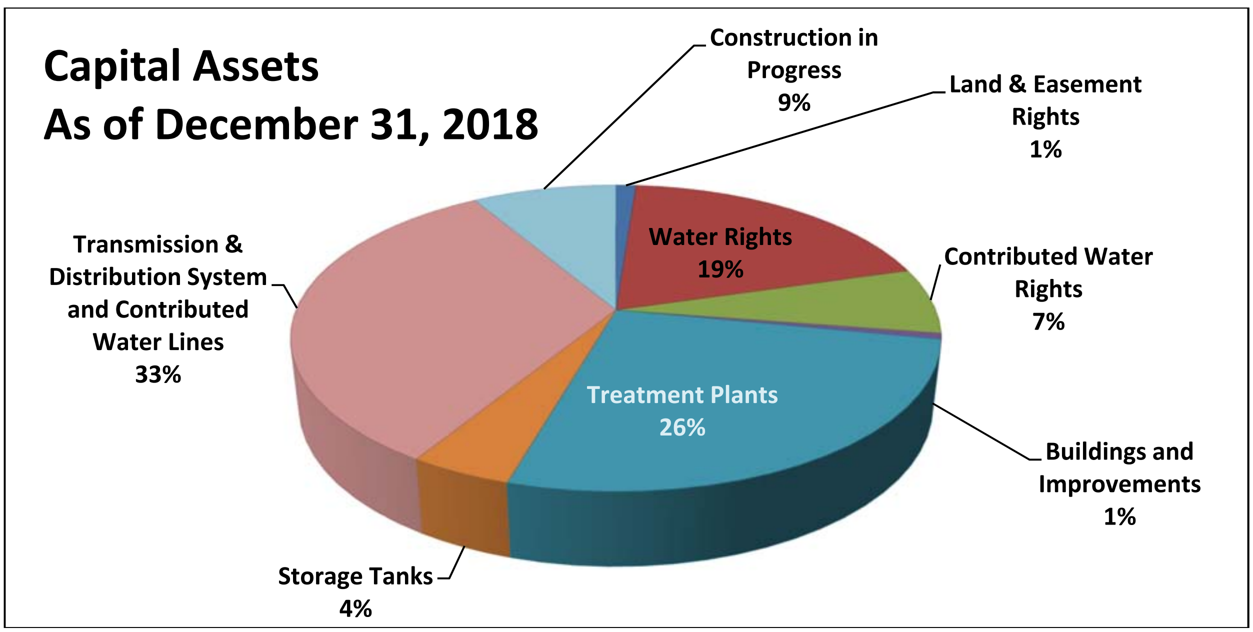
Unrestricted Net Position is the portion of net position that can be used to finance day-to-day operations without external constraints of debt covenants, legislation or other legal requirements. As of December 31, 2018, Unrestricted Net Position was $5.3 million lower than at December 31, 2017.

CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL ASSETS

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

	2018	2017
Land & Easement Rights	$ 1,452,190	$ 1,403,468
Water Rights	23,435,846	20,840,546
Contributed Water Rights	8,399,149	8,342,149
Buildings & Improvements	759,096	778,786
Treatment Plants	32,093,651	33,019,580
Storage Tanks	5,217,486	5,431,790
Raw Water Reservoirs	119,452	141,372
Transmission & Distribution System	39,603,780	34,679,772
Office Equipment & Furnishings	26,028	37,048
Equipment & Vehicles	355,532	264,623
Construction in Progress	10,375,080	7,818,223
Total Capital Assets	$ 121,837,290	$ 112,757,357

Capital acquisitions in 2018 included 2 new trucks in the Distribution Department and a new cargo van in the Treatment Department. Cathodic Protection was also installed on a raw water line, and the Distribution Shop was renovated during 2018. The District also purchased 95 units of Colorado-Big Thompson (CBT) water at a total cost of $2,595,300. The District's continued participation in the Northern Integrated Supply Project (NISP) and included in Construction in Progress (CIP), required 2018 contributions of $980,000. Also included in CIP are the District's proportionate share of the construction costs of the SWSPII project, which required contributions of almost $2.8 million during 2018.



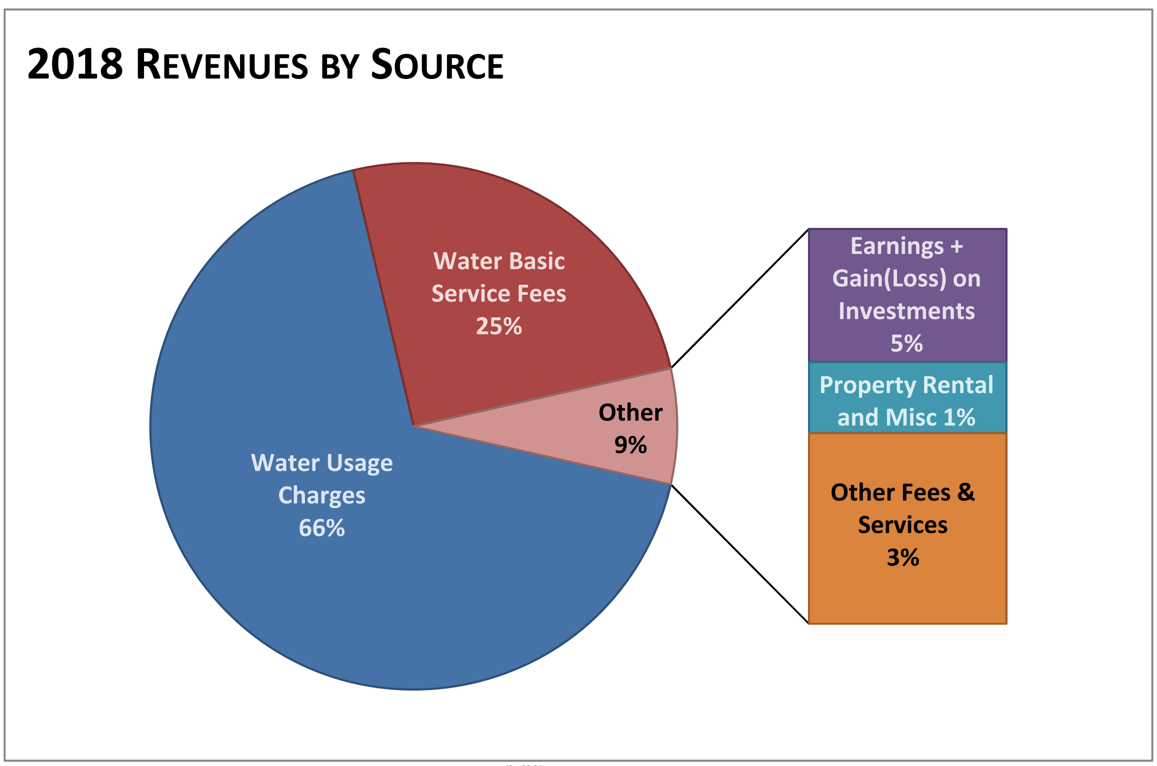
Of the just over $9.5 million allocated for construction projects in the 2018 budget, almost $6 million was expended. Water line projects included completion of the transmission line upgrade along Weld County Road 1 and the replacement of a water line along Jasper Road. Replacement of the 0.5-million gallon tank at the Spurgeon Water Treatment Plant was also initiated. That project is expected to be completed in 2019.

CONDENSED COMPARATIVE FINANCIAL INFORMATION – REVENUES

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

	2018	2017
Operating Revenues		
Water Usage Charges	$ 6,282,615	$ 6,151,823
Water Basic Service Fees	2,397,227	2,289,196
Other Fees & Services	134,619	107,856
Inventory Sales	11,834	71,445
Water Lease Income	124,030	78,790
Total Operating Revenues	8,950,325	8,699,110
Non-Operating Revenues (Expenses)		
Earnings on Investments	410,664	422,933
Interest Expense	(454,448)	(334,437)
Property Rental and Miscellaneous Income	102,453	113,404
Property Management Expense	(44,627)	(52,936)
Unrealized Gain/(Loss) on Investments	3,823	(55,801)
Realized Gain/(Loss) on Investments	1,014	(711)
Gain/(Loss) on Disposition of Capital Assets	525	(432,915)
Disaster Recovery Grants	---	59,393
Other Non-Operating Income	49,051	4,528
Total Non-Operating Revenues	68,465	(276,542)
TOTAL REVENUES	**$ 9,018,790**	**$ 8,422,568**

Operating revenues in 2018 were 2.4% above the amount budgeted. Water Usage Charges were under budget by 4.2%, but other components of Operating Revenue were over budget slightly. Total revenues increased by just under $600,000 (7%) from 2017.

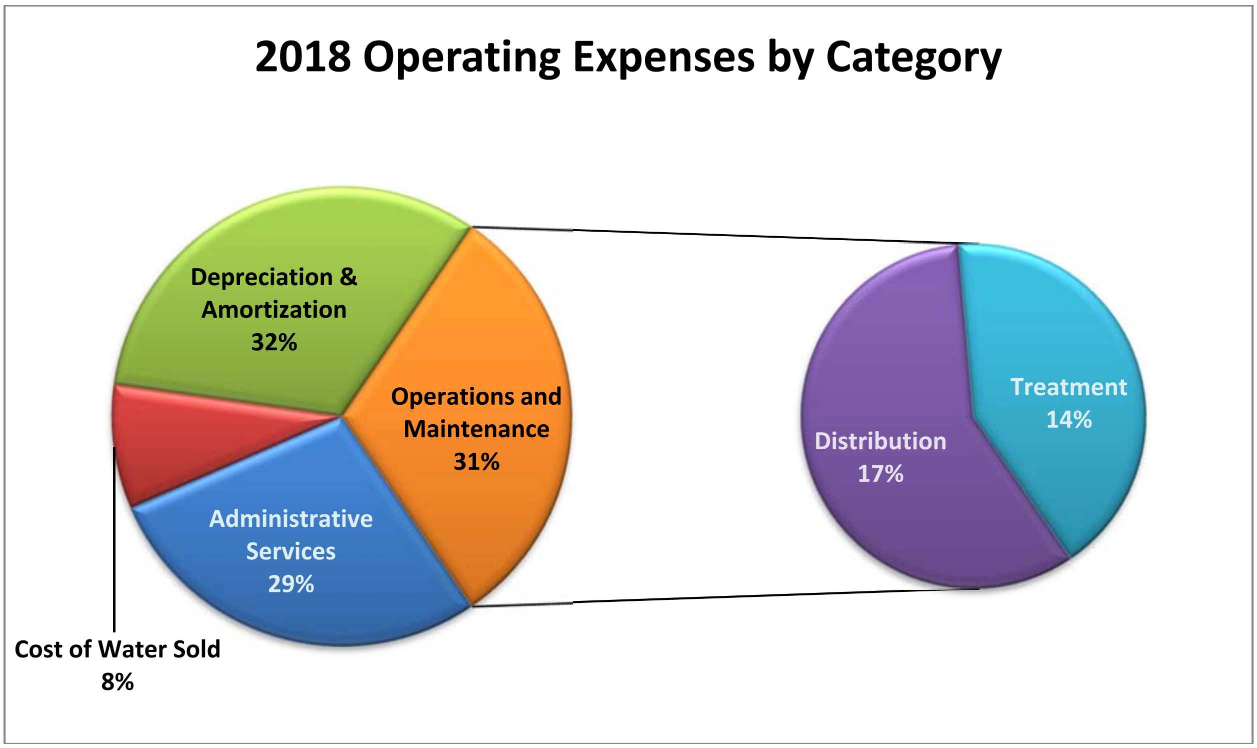


CONDENSED COMPARATIVE FINANCIAL INFORMATION – OPERATING EXPENSES

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

	2018	2017
Operating Expenses		
Operation and Maintenance	$ 2,775,761	$ 2,598,363
Administrative Services	2,514,942	2,359,066
Cost of Water Sold	701,498	737,493
Depreciation & Amortization	2,787,178	2,720,724
TOTAL OPERATING EXPENSES	**$ 8,779,379**	**$ 8,415,646**

Net of depreciation and other items not included in the budget, total operating expenses for 2018 were under budget by 4.6%. Operation and maintenance costs increased by 6.8% over 2017. Expenditures within the Distribution Department decreased very slightly, while the Treatment Department saw an increase of 16.3%. Factors in that increase include the addition of a Plant Mechanic position as well as increased Repairs and Maintenance costs. Administrative Services expenditures were higher in 2018 by 6.6%, due to generally rising costs of many line items as well as increased pension expense as required by the implementation of GASB No. 68 and GASB No. 75. Cost of Water Sold decreased by 4.9%, despite assessments on CBT water units continuing to increase, due to lower costs of purchasing water from the Central Weld Water District in 2018.



CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL CONTRIBUTIONS

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

	2018	2017
Customer Tap Fees	$ 3,281,002	$ 7,041,490
Contributed Water Rights	28,500	---
Contributed Line Fee/Fire System	169,040	480,775
Contributions in Aid of Construction	---	---
Contributed Assets	442,707	936,612
TOTAL CAPITAL CONTRIBUTIONS	**$ 3,921,249**	**$ 8,458,877**

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 in lieu of purchasing them; and contributions of fire systems, water lines, or water systems. In 2018, 163 taps were sold, upgraded, or completed, vs. 148 in 2017.

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 2018, the District executed two new subdivision agreements, for which initial payments were received. As of December 31, 2018, the District had seven subdivision contracts active, representing 48 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 2018, the line fees collected on new taps totaled $169,040, 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 2018, the water lines received by the District were in the Wyndham Hill subdivision.

STRATEGIC PLANNING AND CAPITAL IMPROVEMENT PROGRAM

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

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

The District completed a Raw Water Master Plan in 2003 to anticipate future infrastructure improvements needed for the delivery of raw water supplies. To meet the anticipated future need for additional raw water supplies and delivery systems, the District is participating in two projects through the Northern Colorado Water Conservancy District (NCWCD): the Northern Integrated Supply Project (NISP) and the Southern Water Supply Project II (SWSPII). The District is participating in the NISP project for a total of 4,900 additional acre-feet of annual yield to help meet anticipated future needs. It is anticipated that the District's allocation of remaining cost in the project, currently estimated at $139.5 million, will be funded through a combination of future debt and Water Acquisition Reserve funds. The Water Acquisition Reserve Fund is a Board-Designated fund maintained for water rights acquisition and is funded via cash-in-lieu payments as part of tap fee revenue. The reserve balance as of December 31, 2018, was $5,380,251.

The SWSPII project will deliver raw water from Carter Lake to the Dodd Water Treatment Plant. Construction of the pipeline began in summer 2018; the District's total proportionate share of the construction costs is estimated to be $10.1 million. In February 2018 the District entered into a contract with the Colorado Water Conservation Board (CWCB) for a loan through its Water Project Loan Program to fund up to $10 million of the District's costs. In 2018, $2.6 million of those funds were drawn; it is anticipated that the majority of funds will be expended during 2019, with a small percentage expended in 2020 when the project is projected to be completed. Any amount required in excess of the loan amount will be paid from operations or unrestricted reserves.

In order to meet future capital and infrastructure replacement needs, the District maintains a Board-Designated Replacement Fund Reserve. The reserve is funded from operating and non-operating revenue as well as carryover funds. In 2018 the reserve funding was $2,000,000, based on analysis using the District's Water Rate Model and Capital Improvement Plan. The reserve funding level for 2019 has likewise been set at $2,000,000. Capital improvement projects designated as Replacement Fund Projects are paid for from the reserve, a summary of the funding and use of which is shown in the following table.

REPLACEMENT FUND RESERVE SUMMARY
1995-2018

Replacement Fund Balance – December 31, 2017	**$ 6,830,548**
Funding from Operations/Carryover	**2,000,000**
Projects Funded via Replacement Fund Reserve	**(4,543,277)**
Replacement Fund Balance – December 31, 2018	**$ 4,287,271**

DEBT AND OTHER FINANCIAL OBLIGATIONS

The District's long-term debt (net of current maturities and unamortized premiums) was $28,932,751 and $24,914,615 at December 31, 2018, and December 31, 2017, respectively. These balances are comprised of two previously-existing loans from the Colorado Water Resources and Power Development Authority (CWR&PDA) Drinking Water Revolving Fund (DWRF) as well as the two new loans noted above from the Colorado Water Conservation Board (CWCB) and the CWR&PDA Small Hydropower Loan Program (SHLP).

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

The District also has a 1999 DWRF loan for which principal payments of approximately $430,000 were made in 2018. The loan's final principal payment of $219,491 will be paid in May 2019.

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

As also noted previously, the District also entered into a loan with the CWR&PDA to fund the District's connection to the SWSPII pipeline, which will include hydropower generation. The loan has a total amount of $3,100,000. Principal payments will begin in 2019; total annual debt service will be approximately $192,000.

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

SUBSEQUENT EVENTS

On February 28, 2019, the District executed two separate agreements for purchase of 70 total units of Colorado-Big Thompson (CBT) water. The total cost of the two purchases is $2,800,000. Both purchases are anticipated to be completed prior to April 19, 2019.

ECONOMIC AND OTHER FACTORS

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

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

The 2019 budget is based on projected growth in water revenue and includes an increase of 10% to basic service fees and increases of 10-14% to volume charges. The budget for tap fee revenue projects a slight increase from 2018, 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, 2018 AND 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2018	2017
Current Assets		
Cash and Cash Equivalents	$ 8,152,592	$ 9,797,435
Restricted Cash and Cash Equivalents	5,210,519	2,152,353
Investments	12,093,151	12,931,429
Receivables	1,611,792	3,293,057
Other Restricted Assets	946,116	-
Inventory - Supplies	156,435	224,302
Prepaid Expenses and Other Assets	77,103	259,468
Total Current Assets	28,247,708	28,658,044
Non-Current Assets		
Capital Assets		
Land, Easements and Water Rights	33,287,185	30,586,163
Construction in Progress	10,375,079	7,818,223
Transmission and Distribution System	71,232,203	64,805,388
Facilities	37,734,593	37,724,544
Vehicles and Equipment	1,233,570	1,083,691
Furniture and Equipment	277,237	277,237
Water Service Agreement	1,500,000	1,500,000
Total Capital Assets	155,639,867	143,795,246
Less: Accumulated Depreciation	(33,802,577)	(31,037,889)
Capital Assets, Net	121,837,290	112,757,357
Total Non-Current Assets	121,837,290	112,757,357
Total Assets	150,084,998	141,415,401
Deferred Outflows of Resources		
Related to Pension	529,953	985,574
Related to OPEB	33,203	-
Total Deferred Outflows of Resources	563,156	985,574

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

LEFT HAND WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities		
Accounts Payable	617,052	426,445
Retainage Payable	73,688	124,320
Accrued Expenses	209,325	215,454
Current Portion of Long-Term Debt	1,813,056	1,936,031
Total Current Liabilities	2,713,121	2,702,250
Non-Current Liabilities		
Accrued Compensated Absences	43,678	66,120
Net Pension Liability	3,143,227	3,636,691
Net OPEB Liability	285,082	-
Long-Term Debt		
(Net of Current Maturities and Unamortized Premium)	28,932,751	24,914,615
Total Non-Current Liabilities	32,404,738	28,617,426
Total Liabilities	35,117,859	31,319,676
Deferred Inflows of Resources		
Related to Pension	620,348	86,904
Related to OPEB	4,769	-
Total Deferred Inflows of Resources	625,117	86,904
NET POSITION		
Net Investment in Capital Assets	94,288,265	85,994,788
Restricted		
Debt Service	817,585	817,546
Capital Projects	946,116	-
Unrestricted	18,853,212	24,182,061
TOTAL NET POSITION	$ 114,905,178	$ 110,994,395

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

LEFT HAND WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Water - Treated	$ 8,679,842	$ 8,441,019
Service Revenue	134,619	107,856
Other Income	135,864	150,235
Total Operating Revenues	8,950,325	8,699,110
OPERATING EXPENSES		
Depreciation	2,787,178	2,720,724
Salaries and Wages	1,794,015	1,798,377
Repairs and Maintenance	1,192,341	1,058,292
Employee Benefit and Taxes	1,179,031	1,068,682
Cost of Water Sold	701,498	737,493
Utilities	316,601	315,129
Office	164,445	158,340
Contract Support Service	96,334	39,876
Insurance	121,109	122,827
Other	269,183	224,808
Professional Fees	133,312	145,633
Employee Development	24,332	25,465
Total Operating Expenses	8,779,379	8,415,646
Operating Income	170,946	283,464
NON-OPERATING REVENUES (EXPENSES)		
FEMA Grant Revenue	-	59,393
Earnings on Investments	410,664	422,933
Realized and Unrealized Net Gain (Loss) on Investments	4,837	(56,512)
Property Rental and Miscellaneous Income	102,453	113,404
Gain (Loss) on Disposition of Capital Assets	525	(432,915)
Miscellaneous Non-Operating Income	49,061	4,528
Interest Expense	(454,448)	(334,437)
Property Management Expense	(44,627)	(52,936)
Total Non-Operating Revenues (Expenses)	68,465	(276,542)
Income (Loss) Before Contributions	239,411	6,922
CAPITAL CONTRIBUTIONS	3,921,249	8,458,877
Change in Net Position	4,160,660	8,465,799
Net Position - Beginning of Year (as Restated)	110,744,518	102,528,596
NET POSITION - END OF YEAR	$ 114,905,178	$ 110,994,395

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

LEFT HAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 8,962,390	$ 9,078,806
Cash Paid to Suppliers	(2,732,907)	(3,734,587)
Cash Paid to Employees	(2,516,247)	(2,501,121)
Net Cash Flows Provided by Operating Activities	3,713,236	2,843,098
CASH FLOWS FROM NONCAPITAL ACTIVITIES		
FEMA Grant Revenue	-	59,393
Property Rental and Miscellaneous Income	151,514	117,932
Property Management Expense	(44,627)	(52,936)
Net Cash Flows Provided by Noncapital Activitities	106,887	124,389
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	5,091,042	6,794,515
Acquisition and Construction of Capital Assets	(11,418,036)	(11,252,860)
Funds Held for Future Construction Costs	(946,116)	-
Cash Received from Sale of Capital Assets	525	-
Proceeds from Debt Issuance	5,754,973	2,172,047
Repayment of Bonds and Loans	(1,840,384)	(1,712,975)
Interest Paid	(302,583)	(520,961)
Net Cash Flows Used by Capital and Related Financing Activities	(3,660,579)	(4,520,234)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	4,590,000	4,644,903
Purchase of Investments	(3,746,885)	(6,381,357)
Earnings on Investments	410,664	422,933
Net Cash Flows Provided (Used) by Investing Activities	1,253,779	(1,313,521)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,413,323	(2,866,268)
Cash and Cash Equivalents - Beginning of Year	11,949,788	14,816,056
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 13,363,111	$ 11,949,788

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

LEFT HAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating Income	$ 170,946	$ 283,464
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation	2,787,178	2,720,724
Changes in Operating Assets and Liabilities:		
Receivables	11,765	376,396
Net Pension Liability	(493,464)	494,726
Deferred Outflows Related to Pension	455,621	(131,735)
Deferred Inflows Related to Pension	533,444	29,246
Net OPEB Liability	35,205	-
Deferred Outflows Related to OPEB	(33,203)	-
Deferred Inflows Related to Pension	4,769	-
Inventory - Supplies	67,867	(84,246)
Accrued Liabilities	(22,442)	(500)
Prepaid Expenses and Other Assets	3,672	(1,495)
Accounts Payable and Accrued Expenses	191,878	(843,482)
Net Cash Flows Provided by Operating Activities	$ 3,713,236	$ 2,843,098
Noncash Investing, Capital and Financing Activities		
Capital Assets Contributed to the District	$ 499,707	$ 936,612
Capital Assets Acquired with Accounts and Retainage Payable	(58,032)	(1,313,268)
Amortization of Debt Premium	19,428	19,427
Unrealized (Gain) Loss on Investments	(4,837)	56,512

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

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 Statues (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.

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 measureable. 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 2018 appropriated expenditures for the District were $45,185,075.

Cash and Cash Equivalents

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

Investments

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

Allowance for Doubtful Accounts

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2018 or 2017, based on historical collection experience.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

Operating Revenues and Expenses

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

Inventories

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

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Other Restricted Assets

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

Capital Assets

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

The cost of the agreement was amortized over the estimated economic life of the agreement. The balance of the unamortized cost at December 31, 2018 and 2017 is $-0- and $-0-, respectively.

Debt Issuance Costs

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

Deferred Outflow

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

Debt-Related Deferrals

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

Accrued Compensated Absences Payable

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

The District has recorded a liability of $171,268 and $193,710 at December 31, 2018, and 2017, respectively.

Deferred Inflows of Resources

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position is classified in the following categories:

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

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

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

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

Use of Estimates

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

Reconciliation of Budget Based Accounting to GAAP Financial Statements

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

	2018
Change in Net Position	$ 4,160,660
Add:	
Debt Proceeds (Budgetary Basis)	2,917,698
Gain on Sale of Capital Assets	(525)
Depreciation	2,787,178
Pension and OPEB Expense	746,489
Unrealized Loss (Gain) on Investments	(4,837)
Transfers to Governmental Fund	16,409
Less:	
Capital Outlay, Net of Funding from Replacement Reserve	(6,228,836)
Water Rights Acquisition	(2,595,300)
Net Funding from/(to) Water Reserve	(420,542)
Debt Principal Paid	(1,808,441)
Net Reduction in Tap Fees Receivable	1,722,249
Non-Cash Capital Contributions	(471,207)
Employer Contribution Expense	(244,117)
Excess of Revenues over Expenditures (Budgetary Basis)	$ 576,878

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New GASB Statement Implementations

For the year ended December 31, 2018, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) (GASB Statement No. 75), which is effective for fiscal years beginning after June 15, 2017. GASB Statement No. 75 establishes new financial reporting requirements for most governments that provide their employees with OPEB benefits. GASB Statement No. 75 requires cost-sharing employers participating in the PERA (Healthcare Trust Fund) program, to record their proportionate share of PERA's unfunded OPEB liability. For the District, the effect of implementing this standard was to change how it accounts for and reports the net OPEB liability. As described above, this statement required that the District record its proportionate share of PERA's unfunded OPEB liability. See Notes 10 and 15 to the financial statements for the effect of implementation related to the District for the year ended December 31, 2018.

For the year ended December 31, 2018, the District early implemented the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89). GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. The early adoption of GASB Statement No. 89 had no impact on prior periods as the implementation is applied prospectively.

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, 2018 and 2017, the District had deposits with a financial institution with a carrying amount of $2,845,114 and $1,981,857, respectively. The bank balances with the financial institution were $2,861,182 and $2,216,058 respectively, which of this amount $250,000 was covered by federal depository insurance, with the excess in 2018 covered by PDPA.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

NOTE 2 CASH AND 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 percent of the book value of the debt is issued by a single corporation or bank unless the governing body authorizes a greater percent.

District policy is to hold investments until maturity.

Interest Rate Risk

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

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

	2018	2017
Cash on Hand	$ 1,000	$ 1,000
Bank Deposits	2,845,114	1,981,857
Local Government Investment Pool	10,516,997	9,966,931
Total Cash and Cash Equivalents	$ 13,363,111	$ 11,949,788

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

	S & P Rating	Moody Rating	Fair Value	Weighted Average Years to Maturity	Concentration of Credit Risk
U.S. Instrumentality					
FHLB	AA+	Aaa	$ 1,422,755	1.73	11.76%
FANNIE MAE	AA+	Aaa	1,325,221	0.98	10.96%
FREDDIE MAC	AA+	Aaa	1,959,986	1.26	16.21%
Treasury Notes	AA+	Aaa	2,813,183	1.03	23.26%
Municipal	AA+	Aaa	501,865	2.21	4.15%
Corporate Bonds	A+ to AAA	A1 to Aaa	4,070,141	0.79	33.66%*
Total			$ 12,093,151		

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments held by the District at December 31, 2017, 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	$ 1,370,185	1.68	11.33%
FANNIE MAE	AA+	Aaa	1,320,890	1.95	10.92%
FFCB	AA+	Aaa	524,076	0.31	4.33%
FREDDIE MAC	AA+	Aaa	1,962,412	2.26	16.23%
Treasury Notes	AA+	Aaa	2,724,844	1.05	22.53%
Municipal	AA+	Aaa	507,595	3.21	4.20%
Commercial Paper	A1	P-1	564,041	0.10	4.66%
Corporate Bonds	A+ to AAA	A1 to Aaa	3,957,386	1.27	30.60%*
Total			$ 12,931,429		

* 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, 2018.

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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

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

The District has the following fair value measurements as of December 31, 2017:

		Fair Value Measurements Using		
Investments by Fair Value Level:	Total	Level 1	Level 2	Level 3
Government Bonds	$ 3,232,439	$ 3,232,439	$ -	$ -
Commercial Paper	564,041	-	564,041	-
Government Agencies	5,177,563	-	5,177,563	-
Corporate Bonds	3,957,386	-	3,957,386	-
Total Investments by Fair Value	$ 12,931,429	$ 3,232,439	$ 9,698,990	$ -

Local Government Investment Pools

At December 31, 2018 and 2017, the District had invested $10,516,997 and $9,966,931, 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.colotrust.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:

	2018	2017
Debt Service Account		
Paying Current Principal and Interest on Bonds and Loan	$ 2,067,639	$ 2,067,546
Funds Held in Escrow for Dodd Water Treatment Plant	42,880	84,807
Project Loan Account - CWRPDA	3,100,000	-
Funds Held for Future Construction Costs	946,116	-
Total Restricted Assets	$ 6,156,635	$ 2,152,353

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:

	2018	2017
Board Designated Accounts		
Deferred System Replacement Account	$ 4,287,271	$ 6,830,548
Water Acquisition Account	5,380,251	4,959,709
Dental Account	10,000	10,000
Total Designated Accounts	$ 9,677,522	$ 11,800,257

NOTE 4 RECEIVABLES

Receivables consist of the following at December 31:

	2018	2017
Water Service	$ 394,955	$ 360,897
Meadow Vale Farms Community Association Receivable	110,132	162,882
Developer Agreements Receivable	1,093,500	2,763,000
Other Receivables	13,205	6,278
Current Receivables	$ 1,611,792	$ 3,293,057

NOTE 5 CAPITAL ASSETS

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

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

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land, Easements and Water Rights	$ 24,833,813	$ 5,752,350	$ -	$ 30,586,163
Construction in Progress	4,517,767	4,117,593	(817,137)	7,818,223
Total Capital Assets, Not Being Depreciated	29,351,580	9,869,943	(817,137)	38,404,386
Capital Assets, Being Depreciated				
Transmission and Distribution System	63,654,588	1,150,800	-	64,805,388
Facilities	37,773,279	602,725	(651,460)	37,724,544
Vehicles and Equipment	1,034,688	49,003	-	1,083,691
Furniture and Equipment	269,401	26,913	(19,077)	277,237
Water Service Agreement	1,500,000	-	-	1,500,000
Total Capital Assets, Being Depreciated	104,231,956	1,829,441	(670,537)	105,390,860
Less: Accumulated Depreciation				
Transmission and Distribution System	(22,796,360)	(1,700,795)	-	(24,497,155)
Facilities	(3,242,743)	(942,884)	218,545	(3,967,082)
Vehicles and Equipment	(759,968)	(57,594)	-	(817,562)
Furniture and Equipment	(255,716)	(19,451)	19,077	(256,090)
Water Service Agreement	(1,500,000)	-	-	(1,500,000)
Total Accumulated Depreciation	(28,554,787)	(2,720,724)	237,622	(31,037,889)
Total Capital Assets, Being Depreciated, Net	75,677,169	(891,283)	(432,915)	74,352,971
Total Capital Assets, Net	$ 105,028,749	$ 8,978,660	$ (1,250,052)	$ 112,757,357

NOTE 6 LONG-TERM DEBT

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

	2018	2017
1999 Loan - Colorado Water Resources and Power Development Authority $6,625,000 May 1, 1999, Colorado Water Resources and Power Development Authorty (CWR&PDA) Loan, from the State of Colorado Drinking Water Revolving Fund, with principal due in installments of $349,550 in 2012, increasing to $446,348 in 2018. A final principal payment of $219,491 is. due May 15, 2019. Interest with effective target rate of 3.85% along with principal and an administrative fee of 0.8% are payable semi-annually on May 15 and November 15. The proceeds were used finance improvements to the Spurgeon Water Treatment Plant and to upgrade the water system.	$ 219,491	$ 683,089
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.	24,433,559	25,810,345
2018 Loan - Colorado Water Resources and Power Development Authority $3,1000,000 October 23, 2018, CWR&PDA Loan, with escalating principal payments throughout the life of the loan. Interest with a rate of 2.00% along with principal are payable semi-annually on May 1 and November 1. Loan is to finance repairs and maintanence of the domestic water system.	3,100,000	-
2018 Loan - Colorado Water Conservation Board $10,000,000 February 22, 2018 State of Colorado acting by and through the Colorado Water Conservation Board, with escalating principal payments through the life of the loan. Interest will accrue at a rate of 2.75%. Payment of principal and interest is not due until completion of the project. Loan is to finance the District's portion of the construction costs for the Southern Water Supply Pipeline (SWSP) II.	2,654,973	-
Unamortized Bond Premium	210,194	229,622
Total Long-Term Debt	$ 30,618,217	$ 26,723,056

NOTE 6 LONG-TERM DEBT (CONTINUED)

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

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

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

Year Ending December 31,	Principal	Interest	Total
2019	$ 1,685,466	$ 505,302	$ 2,190,768
2020	1,531,374	503,563	2,034,937
2021	1,547,876	482,315	2,030,191
2022	1,559,432	468,503	2,027,935
2023	1,575,659	454,636	2,030,295
2024 - 2028	8,099,813	1,974,204	10,074,017
2029 - 2033	9,057,710	1,017,054	10,074,764
2034 - 2036	2,695,720	84,657	2,780,377
Total	$ 27,753,050	$ 5,490,234	$ 33,243,284

The above principal payments for the 1999, 2014 and 2018 loans with Colorado Water Resources and Power Development Authority are for the total amount of debt service payments.

Long term debt for the year December 31, 2017 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
1999 CWR&PDA Loan	$ 1,099,738	$ -	$ (416,649)	$ 683,089	$ 431,655
2014 CWR&PDA Loan	25,136,877	2,172,047	(1,498,579)	25,810,345	1,376,786
Compensated Absences	194,210	128,231	(128,731)	193,710	127,590
Totals	26,430,825	$ 2,300,278	$ (2,043,959)	26,687,144	$ 1,936,031
Current Portion of Long-Term Debt	(1,815,642)			(1,936,031)	
Unamortized Bond Premium	249,049			229,622	
Noncurrent Portion of Long-Term Debt	$ 24,864,232			$ 24,980,735	

NOTE 7 RATE MAINTENANCE

The District's 1999 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, 2018:

Operating Revenues	$	8,950,325
Capital Contributions		3,421,542
Subtotal		12,371,867
Operation and Maintenance Expense		(5,992,201)
Net Revenue as Defined in 1999 CWR&PDA Loan Resolution	$	6,379,666
2019 Principal Due	$	219,491
2019 Interest Due		21,445
Subtotal		240,936
		x110%
Required Revenue as Defined in 1999 CWR&PDA Loan Resolution	$	265,030

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, 2018:

Operating Revenues	$	8,950,325
Capital Contributions		3,421,542
Subtotal		12,371,867
Operation and Maintenance Expense		(5,992,201)
Net Revenue as Defined in 2014 CWR&PDA Loan Resolution	$	6,379,666
2019 Principal Due	$	1,390,245
2019 Interest Due		447,797
Subtotal		1,838,042
		x110%
Required Revenue as Defined in 2014 CWR&PDA Loan Resolution	$	2,021,846

NOTE 7 RATE MAINTENANCE (CONTINUED)

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

The following calculation shows the District's compliance with this loan agreement for the year ended December 31, 2018:

Operating Revenues	$	8,950,325
Capital Contributions		3,421,542
Subtotal		12,371,867
Operation and Maintenance Expense		(5,992,201)
Net Revenue as Defined in 2014 CWR&PDA Loan Resolution	$	6,379,666
2019 Principal Due	$	75,730
2019 Interest Due		36,060
Subtotal		111,790
		x110%
Required Revenue as Defined in 2018 CWR&PDA Loan Resolution	$	122,969
Required Revenue for the 1999, 2014 and 2018 CWR&PDA Loans	$	2,409,845

NOTE 8 RENTAL INCOME

On June 1, 1999, the District entered into a twelve-month lease for approximately ten acres with barns and other outbuildings with a retired employee. The lease is renewable annually at the leasee's discretion until the lessee either abandons or vacates the premises or upon the twentieth anniversary of the lease, whichever occurs first. The lease agreement requires rent of $2,200 per year. The District leases cell tower locations to various organizations with initial terms ranging from three to twenty-five years.

The District received $102,453 and $113,404 rental income for the years ended December 31, 2018 and 2017, respectively.

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

Year ending December 31,		Amount
2019	$	102,345
2020		105,201
2021		108,145
2022		111,868
2023		112,681
Thereafter		1,050,217
Total	$	1,590,457

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.

During the 2018 legislative session, 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. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and December 31, 2018.

General Information about the Pension Plan

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

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

Benefits Provided

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

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

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 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), 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%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% 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% of PERA's Annual Increase Reserve for the LGDTF.

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

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

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

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% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate[1]	10.00%	10.00%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f)[1]	(1.02%)	(1.02%)
Amount Apportioned to the LGDTF[1]	8.98%	8.98%
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411[1]	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411[1]	1.50%	1.50%
Total Employer Contribution Rate to the LGDTF[1]	12.68%	12.68%

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

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 $225,942 and $225,765 for the years ended December 31, 2018 and 2017, respectively.

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

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

Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the District's proportion was 0.28230 percent, which was an increase of 0.01298 percent from its proportion measured as of December 31, 2016.

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

For the year ended December 31, 2018, the District recognized pension expense of $721,543. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

For the year ended December 31, 2017, 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	$ 64,717	$ -
Changes of Assumptions or Other Inputs	257,957	10,517
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	436,751	-
Changes in Proportion and Difference Between Contributions Recognized and Proportionate Share Shares of Contributions	384	76,387
Contributions Subsequent to the Measurement Date	225,765	-
Total	$ 985,574	$ 86,904

As of December 31, 2018, $225,942 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
2019	$ 198,369
2020	(65,966)
2021	(222,194)
2022	(226,546)
Total	$ (316,337)

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

Actuarial Assumptions

The December 31, 2016 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

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

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

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

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

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

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

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

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

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

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

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

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

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

Discount Rate

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

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

- Employee contributions were assumed to be made at the member contribution rate as of the measurement date. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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

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

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

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

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

Based 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.

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (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%, 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:

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

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

Changes Between the Measurement Date of the Net Pension Liability and December 31, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through 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 the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100% funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employee contribution rates by a total of 2% (to be phased in over a period of 3 years starting on July 1, 2019).

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

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

At December 31, 2018, the District reported a liability of $3,143,227 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 2,223,258

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four divisions (State Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians.

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

PERA Benefit Structure

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

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

Contributions

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

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

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

At December 31, 2018, the District reported a liability of $285,082 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the District's proportion was 0.02194%, which was an increase of 0.00126 percent from its proportion measured as of December 31, 2016.

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

$18,175 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended		
2019	$	1,761
2020		1,761
2021		1,761
2022		1,761
2023		2,953
Thereafter		262
Total	$	10,259

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 % in the aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.00% for 2017, gradually rising to 4.25% in 2023

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.

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, 2016, 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.

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

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

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

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

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

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

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

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

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

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

- 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 2017 plan year.

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

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

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Proportionate Share of the Net OPEB Liability	$ 277,238	$ 285,082	$ 294,529

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, 2017, 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. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

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

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

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

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Based on the above assumptions and methods, the HCTF'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 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. There was no change in the discount rate from the prior measurement date.

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

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:

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

OPEB Plan Fiduciary Net Position

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

NOTE 11 VOLUNTARY INVESTMENT PROGRAM

Description

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

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS ($18,500 for the calendar year 2018 and $18,000 for the calendar year 2017, respectively). Catch-up contributions up to $6,000 and $6,000 for calendar years 2018 and 2017, 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, 2018 and 2017, the 401(k) Plan member contributions were $124,654 and $122,739, 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, 2018, the District owns approximately 17% of Left Hand Ditch Company water shares.

NOTE 14 TABOR COMPLIANCE

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

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

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

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

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

NOTE 15 PRIOR PERIOD ADJUSTMENT

For the year ended December 31, 2018, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75), which is effective for financial statements beginning after June 15, 2017. GASB Statement No. 75 revises and establishes new financial reporting requirements for most governments that provide postemployment benefits other than pensions (OPEB). GASB Statement No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) to record their proportionate share, as defined in GASB Statement No. 75, of the HCTF's net OPEB liability.

For the District, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

Net Position, December 31, 2017, as Previously Reported	$ 110,994,395
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	(249,877)
Net Position, December 31, 2017, as Restated	$ 110,744,518

NOTE 16 SUBSEQUENT EVENT

On February 28, 2019, the District executed two separate agreements for purchase of 70 total units of Colorado Big Thompson (CBT) water. The total cost of the two purchases is $2,800,000. Both purchases are anticipated to be completed prior to April 19, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

	2017	2016
District's Proportion of the Net OPEB Liability	0.0219361185%	0.0206737052%
District's Proportional Share of the Net OPEB Liability	$ 285,082	$ 268,042
District's Covered Payroll	1,780,481	1,632,395
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	16.01%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%	16.72%

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily Required Contribution	$ 18,175	$ 18,165	$ 16,650	$ 16,522	$ 15,918	$ 15,071	$ 16,304	$ 16,853	$ 15,557	$ 14,133
Contributions in Relation to the Statutorily Required Contribution	18,175	18,165	16,650	16,522	15,918	15,071	16,304	16,853	15,557	14,133
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 1,781,873	$ 1,780,481	$ 1,632,395	$ 1,619,847	$ 1,560,580	$ 1,477,587	$ 1,598,396	$ 1,652,250	$ 1,525,178	$ 1,385,584
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

SUPPLEMENTARY INFORMATION

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Revenue and Receipts			
Operating Revenue			
Water - Volume Charge	$ 6,555,470	6,282,615	$ (272,855)
Water - Basic Service Charge	2,352,230	2,397,227	44,997
Other Service Revenue	87,000	146,453	59,453
Total Operating Revenue	8,994,700	8,826,295	(168,405)
Non-Operating Revenue			
Interest Income	300,000	410,664	110,664
Water Lease Income	50,000	124,030	74,030
Property Rental and Miscellaneous Income	101,500	102,453	953
Miscellaneous Non-Operating Revenue	-	49,051	49,051
Total Non-Operating Revenue	451,500	686,198	234,698
Other Receipts			
Customer Tap Fees	1,512,000	1,754,510	242,510
Water Requirement Fee	2,348,625	3,015,842	667,217
Less: Funding to Water Reserve	(2,348,625)	(3,015,842)	(667,217)
CIAC - Line Fee/Fire System, etc.	240,000	169,040	(70,960)
Loan Proceeds	5,350,000	2,917,698	(2,432,302)
Total Other Receipts	7,102,000	4,841,248	(2,260,752)
Total Revenue and Receipts	16,548,200	14,353,741	(2,194,459)

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Disbursed Expenditures			
Operating Expenditures			
Water Assessments	469,500	476,150	(6,650)
Winter Water Supply	54,500	47,922	6,578
Cross-Tie Water Supply	180,000	177,426	2,574
Salaries	1,902,400	1,794,015	108,385
PERA Contribution	355,750	324,422	31,328
Taxes - Medicare Match	27,580	26,681	899
Worker's Compensation/Unemployment	37,210	31,598	5,612
Health/Life Insurance	299,000	262,259	36,741
Education and Dues	27,000	28,351	(1,351)
Chemicals	275,000	253,996	21,004
Fuel	38,350	44,443	(6,093)
Repairs and Maintenance	788,500	813,892	(25,392)
Utilities and Communication	380,700	316,601	64,099
Water Tests	42,500	44,163	(1,663)
Accounting and Audit	17,750	17,579	171
Commercial Insurance	120,000	121,109	(1,109)
Computer Expense	70,000	80,007	(10,007)
Contract Service Support	108,800	96,334	12,466
Legal Expense	50,000	36,683	13,317
Supplies	152,900	115,517	37,383
Other Expenditures	149,570	131,850	17,720
B.O.D Director Fees	8,500	7,100	1,400
LESS: Dir Fees w/3% Reserve - Gov't Fund	(8,755)	(7,313)	(1,442)
B.O.D Expenditures	16,000	8,831	7,169
LESS: BOD Exp w/3% Reserve - Gov't Fund	(16,480)	(9,096)	(7,384)
Contingency Expenses	30,000	-	30,000
Total Operating Expenditures	5,576,275	5,240,520	335,755
Non-Operating Expenditures			
Property Management Expense	64,500	44,627	19,873
Interest Expense	450,000	454,448	(4,448)
1999 DWRF Payable	446,350	431,655	14,695
2014 DWRF Payable	1,376,790	1,376,786	4
Total Non-Operating Expenditures	2,337,640	2,307,516	30,124
Capital Expenditures			
Distribution and Transmission	168,500	146,837	21,663
Treatment	95,000	87,494	7,506
Building and Grounds	20,000	10,049	9,951
Total Capital Expenditures	283,500	244,380	39,120

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Land, Easement and Water Acquisition			
Water Rights - Water Quality	2,700,000	2,595,300	104,700
Funding from Water Reserve	(2,700,000)	(2,595,300)	(104,700)
Total Land, Easement and Water Acquisition	-	-	-
Construction			
Miscellaneous and Unscheduled Construction	1,175,000	215,853	959,147
Replacement Fund Projects	6,063,300	4,543,278	1,520,022
Net Funding to (from) Replacement Fund	(4,063,300)	(2,543,278)	(1,520,022)
NISP	980,000	980,000	-
Southern Supply Line II	5,350,000	2,788,594	2,561,406
Total Construction	9,505,000	5,984,447	3,520,553
Total Disbursed Expenditures	17,702,415	13,776,863	3,925,552
Excess (Deficiency) of Revenues Over Expenditures	$ (1,154,215)	$ 576,878	$ 1,731,093

	Government Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Sources of Funds			
Transfers from Enterprise Fund	$ 25,235	$ 16,409	$ (8,826)
Total Sources of Funds	25,235	16,409	(8,826)
Uses of Funds			
Board of Directors Expenditures	16,000	8,831	(7,169)
Director Fees	8,500	7,100	(1,400)
TABOR Reserve (3%)	735	478	(257)
Total Uses of Funds	25,235	16,409	(8,826)
Excess (Deficiency) of Revenues over Expenses	$ -	$ -	$ -

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 11, 2019.

Internal Control over Financial Reporting

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

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

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

Board of Directors
Left Hand Water District

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 11, 2019