



BACA GRANDE WATER AND SANITATION DISTRICT

(Saguache County, Colorado)

FINANCIAL STATEMENTS

with Independent Auditor's Report

DECEMBER 31, 2021

BOARD OF DIRECTORS

President Vivia Lawson
Vice President John Loll
Treasurer/Secretary Mike Smith
Director Rick Hart

JoAnn Slivka – District Manager

BACA GRANDE WATER AND SANITATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Baca Grande Water and Sanitation District
Saguache County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Baca Grande Water and Sanitation District (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility

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

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the pension schedules on pages 45 and 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the schedules on pages 45 and 46 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
September 21, 2022

BASIC FINANCIAL STATEMENTS

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 760,938 | \$ 363,702 | \$ 1,124,640 |
| Cash and cash equivalents, restricted | 76,633 | 167,603 | 244,236 |
| Accounts receivable | - | 339,072 | 339,072 |
| Accounts receivable - County Treasurer | 6,693 | 2,951 | 9,644 |
| Property taxes receivable | 542,705 | 249,351 | 792,056 |
| Prepaid expenses | - | 1,500 | 1,500 |
| Capital assets not being depreciated | - | 449,080 | 449,080 |
| Capital assets, net of accumulated depreciation | - | 8,027,713 | 8,027,713 |
| Total assets | <u>1,386,969</u> | <u>9,600,972</u> | <u>10,987,941</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Bond insurance | - | 34,510 | 34,510 |
| Pension related deferred outflow | - | 137,100 | 137,100 |
| OPEB related deferred outflow | - | 8,437 | 8,437 |
| Total deferred outflows of resources | <u>-</u> | <u>180,047</u> | <u>180,047</u> |
| LIABILITIES | | | |
| Accounts payable | 4,281 | 37,411 | 41,692 |
| Accrued interest | - | 16,540 | 16,540 |
| Long-term liabilities | | | |
| Due within one year | - | 242,908 | 242,908 |
| Due in more than one year | - | 5,770,927 | 5,770,927 |
| Net OPEB liability | - | 37,447 | 37,447 |
| Net pension liability | - | 271,168 | 271,168 |
| Total liabilities | <u>4,281</u> | <u>6,376,401</u> | <u>6,380,682</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred property tax revenue | 542,705 | 249,351 | 792,056 |
| Deferred amount on refunding | - | 107,268 | 107,268 |
| Pension related deferred inflow | - | 320,296 | 320,296 |
| OPEB related deferred inflow | - | 16,655 | 16,655 |
| Total deferred inflows of resources | <u>542,705</u> | <u>693,570</u> | <u>1,236,275</u> |
| NET POSITION | | | |
| Net investment in capital assets | - | 2,462,958 | 2,462,958 |
| Restricted | | | |
| Loan operating reserve requirement | 61,333 | 167,603 | 228,936 |
| Emergency reserve (TABOR) | 15,300 | - | 15,300 |
| Unrestricted | 763,350 | 80,487 | 843,837 |
| Total net position | <u>\$ 839,983</u> | <u>\$ 2,711,048</u> | <u>\$ 3,551,031</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------------|--------------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 245,332 | \$ - | \$ - | \$ - | \$ (245,332) | \$ - | \$ (245,332) |
| Total General government | <u>\$ 245,332</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(245,332)</u> | <u>-</u> | <u>(245,332)</u> |
| Business-type activities: | | | | | | | |
| Water and sanitation | \$ 1,504,462 | \$ 1,380,870 | \$ 2,644 | \$ 48,750 | | (72,198) | (72,198) |
| Interest on long-term debt and related costs | 193,717 | - | - | - | (193,717) | | (193,717) |
| Total | <u>\$ 1,698,179</u> | <u>\$ 1,380,870</u> | <u>\$ 2,644</u> | <u>\$ 48,750</u> | <u>(265,915)</u> | <u>(265,915)</u> | <u>(265,915)</u> |
| | | General revenue: | | | | | |
| | | Property taxes | | | 414,211 | 191,906 | 606,117 |
| | | Specific ownership taxes | | | 77,450 | 27,999 | 105,449 |
| | | Net investment income | | | 18,121 | 2,468 | 20,589 |
| | | Sale of asset | | | - | 7,095 | 7,095 |
| | | Other income | | | 232 | 19,711 | 19,943 |
| | | Pension income | | | - | 40,855 | 40,855 |
| | | Transfers | | | (330,046) | 330,046 | - |
| | | Total general revenue | | | 179,968 | 620,080 | 800,048 |
| | | Change in net position | | | (65,364) | 354,165 | 288,801 |
| | | Net position - Beginning | | | 905,347 | 2,356,883 | 3,262,230 |
| | | Net position - Ending | | | <u>\$ 839,983</u> | <u>\$ 2,711,048</u> | <u>\$ 3,551,031</u> |

These financial statements should be read only in connection with the accompanying notes to financial statements.

**BACA GRANDE WATER AND SANITATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2021**

| | General |
|--|----------------|
| ASSETS | |
| Cash and investments | \$ 760,938 |
| Restricted cash and cash investments | 76,633 |
| Accounts receivable - County Treasurer | 6,693 |
| Property taxes receivable | 542,705 |
| Total assets | \$ 1,386,969 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | |
| Accounts payable | \$ 4,281 |
| Total liabilities | 4,281 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property tax revenue | 542,705 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 542,705 |
| FUND BALANCE | |
| Restricted: | |
| Emergency reserves | 15,300 |
| Loan operating reserve requirement | 61,333 |
| Unassigned | 763,350 |
| Total fund balance | 839,983 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 1,386,969 |
| Net position of governmental activities | \$ 839,983 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2021**

| | General |
|--|----------------|
| REVENUE | |
| Property taxes | \$ 414,211 |
| Specific ownership taxes | 77,450 |
| Interest income | 18,121 |
| Miscellaneous revenue | 232 |
| Total revenues | 510,014 |
| EXPENDITURES | |
| General government: | |
| Audit | 9,650 |
| Accounting | 40,239 |
| County Treasurer's fees | 16,111 |
| Directors' fees | 8,222 |
| Legal fees | 20,652 |
| Management | 150,458 |
| Total expenditures | 245,332 |
| EXCESS OF REVENUE OVER EXPENDITURES | 264,682 |
| OTHER FINANCING SOURCES (USES) | |
| Transfers to other funds | (330,046) |
| Total other financing sources (uses) | (330,046) |
| NET CHANGE IN FUND BALANCE | (65,364) |
| FUND BALANCE - BEGINNING OF YEAR | 905,347 |
| FUND BALANCE - END OF YEAR | \$ 839,983 |
| Change in net position of governmental activities | \$ (65,364) |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2021**

| | <u>Budgeted Amounts</u> <u>Original and Final</u> | <u>Actual</u> | <u>Variance with Budget Positive (Negative)</u> |
|--|--|-------------------|---|
| REVENUE | | | |
| Property taxes | \$ 413,469 | \$ 414,211 | \$ 742 |
| Specific ownership taxes | 70,000 | 77,450 | 7,450 |
| Interest income | 9,000 | 18,121 | 9,121 |
| Miscellaneous revenue | 100 | 232 | 132 |
| Total Revenue | <u>492,569</u> | <u>510,014</u> | <u>17,445</u> |
| EXPENDITURES | | | |
| General government: | | | |
| Audit | 10,000 | 9,650 | 350 |
| Accounting | 40,000 | 40,239 | (239) |
| County Treasurer's fees | 12,405 | 16,111 | (3,706) |
| Directors' fees | 12,000 | 8,222 | 3,778 |
| Legal fees | 40,000 | 20,652 | 19,348 |
| Management | 195,500 | 150,458 | 45,042 |
| Capital - Administrative office remodel/replacement | 50,000 | - | 50,000 |
| Total Expenditures | <u>359,905</u> | <u>245,332</u> | <u>114,573</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>132,664</u> | <u>264,682</u> | <u>132,018</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Emergency reserve | (15,000) | - | 15,000 |
| Transfers to other funds | (563,000) | (330,046) | 232,954 |
| Total other financing sources (uses) | <u>(578,000)</u> | <u>(330,046)</u> | <u>247,954</u> |
| NET CHANGE IN FUND BALANCE | (445,336) | (65,364) | 379,972 |
| FUND BALANCE - BEGINNING OF YEAR | 807,892 | 905,347 | 97,455 |
| FUND BALANCE - END OF YEAR | <u>\$ 362,556</u> | <u>\$ 839,983</u> | <u>\$ 477,427</u> |

These financial statements should be read only in connection with the
accompanying notes to financial statements.

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2021

| | Water and Sewer Enterprise Fund |
|--|--|
| | |
| ASSETS | |
| Cash and investments | \$ 363,702 |
| Cash and investments - restricted | 167,603 |
| Accounts receivable, net of allowance for uncollectibles | 339,072 |
| Accounts receivable - County Treasurer | 2,951 |
| Property taxes receivable | 249,351 |
| Prepaid expenses | 1,500 |
| Capital assets not being depreciated | 449,080 |
| Capital assets, net of accumulated depreciation | 8,027,713 |
| Total assets | 9,600,972 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Bond insurance | 34,510 |
| Pension related deferred outflow | 137,100 |
| OPEB related deferred outflow | 8,437 |
| Total deferred outflows of resources | 180,047 |
| LIABILITIES AND NET POSITION | |
| Current Liabilities | |
| Accounts payable | 37,411 |
| Accrued interest payable | 16,540 |
| Non-current liabilities: | |
| Long-term debt: | |
| Due within one year | 242,908 |
| Due in more than one year | 5,770,927 |
| Net OPEB liability | 37,447 |
| Net pension liability | 271,168 |
| Total liabilities | 6,376,401 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred taxes receivable | 249,351 |
| Deferred amount on refunding | 107,268 |
| Pension related deferred inflow | 320,296 |
| OPEB related deferred inflow | 16,655 |
| Total deferred inflows of resources | 693,570 |
| NET POSITION | |
| Net investment in capital assets | 2,462,958 |
| Restricted | |
| Loan operating reserve requirement | 167,603 |
| Unrestricted | 80,487 |
| Total net position | \$ 2,711,048 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2021

| | <u>Water and Sewer Enterprise Fund</u> |
|---|---|
| OPERATING REVENUE | |
| Water and sewer fees | \$ 1,161,531 |
| Availability of service fees | 191,677 |
| Miscellaneous revenue | 27,662 |
| Total operating revenue | <u>1,380,870</u> |
| OPERATING EXPENSES | |
| Depreciation | 509,745 |
| Insurance | 34,603 |
| Office expense | 43,621 |
| Operating expenses | 10,667 |
| Professional fees | 55,371 |
| Repair and maintenance | 178,364 |
| Salaries and benefits | 421,711 |
| Small tools and supplies | 5,605 |
| Testing | 7,432 |
| Utilities | 100,588 |
| Utility billing | 18,918 |
| Vehicle operations | 30,762 |
| Water costs | 86,960 |
| Total operating expenses | <u>1,504,347</u> |
| OPERATING INCOME (LOSS) | <u>(123,477)</u> |
| NONOPERATING REVENUE (EXPENSE) | |
| Property and specific ownership taxes | 219,905 |
| Payment in lieu of taxes | 15,218 |
| Grant income | 2,644 |
| Sale of asset | 7,095 |
| Interest income | 2,468 |
| Pension income - net | 40,855 |
| Interest and fiscal charges | (189,339) |
| Total nonoperating revenue (expense), net | <u>98,846</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>(24,631)</u> |
| CAPITAL CONTRIBUTIONS - TAP FEES | 48,750 |
| TRANSFERS IN | <u>330,046</u> |
| CHANGE IN NET POSITION | <u>354,165</u> |
| NET POSITION - BEGINNING OF YEAR | <u>2,356,883</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 2,711,048</u></u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2021**

| | Water and Sewer Enterprise Fund |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 1,450,073 |
| Cash payments to suppliers for goods and services | (579,175) |
| Cash payments to employees for services | (421,711) |
| Net cash provided by operating activities | 449,187 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Transfers in | 330,046 |
| Net cash provided by noncapital financing activities | 330,046 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Property and specific ownership taxes received | 219,905 |
| Tap fees received | 48,750 |
| Payment in lieu of taxes | 15,218 |
| Purchases of capital assets | (324,189) |
| Principal paid on debt | (220,872) |
| Grant income | 2,644 |
| Sale of asset | 7,095 |
| Miscellaneous income | 27,662 |
| Interest and fiscal charges paid on debt | (219,402) |
| Net cash used in capital and related financing activities | (443,189) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment income | 2,468 |
| Net cash provided by investing activities | 2,468 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | 338,512 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 192,793 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 531,305 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2021
(continued)

**RECONCILIATION OF OPERATING INCOME TO CASH FLOWS
PROVIDED BY OPERATING ACTIVITIES**

| | |
|--|--------------------------|
| Operating income (loss) | \$ (123,477) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation | 509,745 |
| Effects of changes in operating assets and liabilities: | |
| Accounts receivable | 69,203 |
| Accounts payable | <u>(6,284)</u> |
| Total adjustments | <u>572,664</u> |
| Net cash provided by operating activities | <u><u>\$ 449,187</u></u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

1. DEFINITION OF REPORTING ENTITY

Baca Grande Water and Sanitation District (the "District") is a quasi-municipal political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Saguache County, Colorado. The District was established on January 21, 1972 to provide water and sewer services within and outside of its boundaries.

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). A summary of the significant accounting policies used in the preparation of these financial statements follows.

The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type* activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities are financed to a significant extent by fees and charges.

The statement of net position reports all financial and capital resources of the District. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation — The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District considers property taxes as available if they are collected within 30 days after year-end. Property taxes are recognized as revenue in the fiscal period for which they are levied, providing the available criteria are met.

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental fund:

General Fund – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the District reports the following major proprietary fund:

Water and Sewer Enterprise Fund – The enterprise fund is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has one enterprise fund-the Water and Sewer Enterprise Fund. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all taxes.

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

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

Pooled Cash and Investments – The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Receivables — All receivables are reported net of allowance for uncollectible accounts of

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\$28,971 at December 31, 2021.

Prepaid Expenses — Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Due To and From Other Funds — Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the fund financial statements, these receivables and payable are classified as "due from other funds" or "due to other funds". In the government-wide financial statements, all internal balances have been substantially eliminated.

Restricted Cash and Investments — The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

Investments – Investments are stated at fair value. Fair value is the amount the District can reasonably expect to receive to sell an investment in an orderly transaction between market participants.

Amortization of Bond Issue Premium – In the government-wide financial statements and proprietary fund types in the fund financial statements, bond premiums are reported as a component of noncurrent liabilities. Bond premiums are amortized over the life of the bonds using the effective interest method. Accumulated amortization of bond premium totaled \$112,291 at December 31, 2021.

Cost of Bond Refunding – In the government-wide financial statements and proprietary fund types in the fund financial statements, the deferred cost on bond refundings is being amortized over the life of the refunded bonds. The amortization amount is a component unit of interest expense and the unamortized deferred cost of \$107,268 at December 31, 2021, is reflected as deferred outflows of financial resources.

Capital Assets — Capital assets, which include property, water plant, sewage treatment plant and collection systems, related improvements and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as those assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or

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materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|---|-------------|
| Water plant and distribution systems | 20-40 years |
| Sewage treatment plant and collection systems | 20-40 years |
| Equipment | 5-15 years |

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

Construction commitments—The District had no construction commitments at December 31, 2021.

Compensated absences— District employees earn paid time off at the rate of 160 to 200 hours per year, based on length of service, which is to be used for vacations, medical leave or personal time off. Employees are allowed to accrue up to 80 hours of unused paid time off at the end of each calendar year. Compensated absences are recorded as current salary cost when paid.

Contributed Capital – Tap fees are generally recorded as capital contributions when received.

Long-Term Liabilities — In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity — The governmental fund financial statements present fund balances based on

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classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted -This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Statement of Cash Flows — For purposes of the Statement of Cash Flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, government pools, and short-term investments with original maturities of three months or less from the date of acquisition, including restricted cash and cash equivalents.

Estimates — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual

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results could differ from those estimates.

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

Subsequent Events — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date of issuance of the financial statements.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Information — The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In the fall, the District Manager submits to the Board of Directors, 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 by the District to obtain taxpayer comments.
3. Prior to December 15, the budget is legally approved.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds.
6. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. The budget for the Water and Sewer Enterprise Fund is prepared on a basis of accounting other than generally accepted accounting principles, which is normal for proprietary funds. The primary differences are that bond proceeds are treated as a budget source, capital expenditures and principal payments are treated as a budget use, and accrued unpaid interest and the amortization and depreciation expense are not budgeted.
8. Budgeted amounts are as originally adopted or amended.

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9. All annual appropriations lapse at the end of the year.

4. DEPOSITS AND INVESTMENTS

The District's deposits and investments consist of the following at December 31, 2021:

| | <u>Deposits</u> | <u>Colostrust</u> | <u>Total</u> |
|--------------------------------------|-------------------|-------------------|---------------------|
| Cash and cash equivalents | \$ 429,618 | \$ 695,022 | \$ 1,124,640 |
| Restricted cash and cash equivalents | 15,300 | 228,936 | 244,236 |
| Total | <u>\$ 444,918</u> | <u>\$ 923,958</u> | <u>\$ 1,368,876</u> |

Reconciliation of cash and cash equivalents to the government-wide financial statements at December 31, 2021:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--------------------------------------|------------------------------------|-------------------------------------|---------------------|
| Cash and cash equivalents | \$ 760,938 | \$ 363,702 | \$ 1,124,640 |
| Restricted cash and cash equivalents | 76,633 | 167,603 | 244,236 |
| Total | <u>\$ 837,571</u> | <u>\$ 531,305</u> | <u>\$ 1,368,876</u> |

Deposits — The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2021, the carrying amount of the District's deposits including money markets were \$444,918, the bank balances were \$585,974. \$300,000 of the District's bank balances were covered by FDIC insurance and the remaining balances fall under the provision of the Colorado Public Deposit Protection Act which are collateralized in single institution pools.

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

Investments — The District is authorized by Colorado statutes to invest in the following:

- Obligations of the United States and certain U.S. government agencies' securities
- Certain international agencies' securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Certain commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposits
- Certain money market fund
- Guaranteed investment contracts

Fair Value Measurements – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level) as follows:

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Observable inputs other than quoted market prices.

Level 3 - Valuation derived from valuation techniques in which significant inputs are observable.

Investments that are valued using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

December 31,
2021

Investments measured at NAV:

| | |
|-----------------------------------|-------------------|
| COLOTRUST Plus | <u>\$ 923,958</u> |
| Total investments measured at NAV | <u>\$ 923,958</u> |

Fixed income securities classified in Level 2 of the fair value hierarchy are valued primarily using quoted prices in inactive markets, as well as other pricing methods using observable inputs.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

Investments Measured at NAV:

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. A twelve-member Board of Trustees, elected by the fund participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. The District's investments are in COLOTRUST Plus. COLOTRUST Plus operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes. COLOTRUST reports all investments as level 2 investments while the District's investment in COLOTRUST Plus is reported at NAV. The separate audited financial statements of COLOTRUST are available on their website at www.colotruster.com. The District has no unfunded commitments or redemption restrictions on their investments in COLOTRUST Plus.

Investments with maturities of less than 90 days are classified as cash and cash equivalents on the financial statements.

The District's investments are subject to interest rate risk and credit risk as described below:

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk. State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2021 the District's COLOTRUST Plus investment is rated AAAM by Standard & Poor's.

Restricted cash and investments

As of December 31, 2021, unspent bond proceeds were restricted for the costs to improve various components of the water and sewer systems of \$0.

In accordance with the terms of the CWRPDA Loans (see Note 5) the District is required to maintain an operating reserve equal to three months of operation and maintenance expenses, excluding depreciation of the water and sewer systems, as set forth in the annual budget for the current fiscal year. As of December 31, 2021, the required operating reserve was \$228,936, which met the requirement of the loan covenants. The District restricted \$15,300 in compliance with State requirements for emergency reserves (Note 10). At December 31, 2021, the total amount restricted was \$244,236.

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

5. CAPITAL ASSETS

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

| | Balance at December 31, 2020 | Additions | Disposals/ Reclassifications/ Retirements | Balance at December 31, 2021 |
|---|------------------------------------|--------------|---|------------------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land, water rights, master plan | \$ 173,301 | \$ 15,623 | \$ - | \$ 188,924 |
| Construction in process | 239,021 | 21,135 | - | 260,156 |
| Total capital assets, not being depreciated | 412,322 | 36,758 | - | 449,080 |
| Capital assets, being depreciated: | | | | |
| Water plant and distribution system | 8,633,108 | 179,817 | - | 8,812,925 |
| Sewer plant and collection system | 9,901,370 | - | - | 9,901,370 |
| Machinery and equipment | 492,105 | 107,613 | (7,095) | 592,623 |
| Total capital assets being depreciated | 19,026,583 | 287,430 | (7,095) | 19,306,918 |
| Less accumulated depreciation for: | | | | |
| Water plant and distribution system | 5,268,307 | 218,258 | - | 5,486,565 |
| Sewer plant and collection system | 5,191,802 | 251,984 | - | 5,443,786 |
| Machinery and equipment | 311,568 | 39,503 | (2,217) | 348,854 |
| Total accumulated depreciation | 10,771,677 | 509,745 | (2,217) | 11,279,205 |
| Total capital assets being depreciated, net | 8,254,906 | (222,315) | (4,878) | 8,027,713 |
| Total capital assets, net | \$ 8,667,228 | \$ (185,557) | \$ (4,878) | \$ 8,476,793 |

Depreciation expense of \$509,745 for the year ended December 31, 2021 was charged to the enterprise fund operations.

6. LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2021:

| | Balance at December 31, 2020 | Additions | Reductions | Balance at December 31, 2021 | Amounts Due Within One Year |
|---|------------------------------------|-----------|------------|------------------------------------|--------------------------------------|
| Business-Type Activities: | | | | | |
| General Obligation Bonds: | | | | | |
| 2017 Bonds | \$ 5,200,000 | \$ - | \$ 140,000 | \$ 5,060,000 | \$ 145,000 |
| Bond Issuance Premium | 308,199 | - | 15,410 | 292,789 | 15,410 |
| Total Bonds Payable | \$ 5,508,199 | \$ - | \$ 155,410 | \$ 5,352,789 | \$ 160,410 |
| Direct Borrowing and Direct Placements: | | | | | |
| 2009 CWR&PDA Loan | \$ 741,918 | \$ - | \$ 80,872 | \$ 661,046 | \$ 82,498 |
| | \$ 6,250,117 | \$ - | \$ 236,282 | \$ 6,013,835 | \$ 242,908 |

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

Bonds payable

\$5,305,000 General Obligation Refunding Bonds, Series 2017, dated December 29, 2017.

The District issued \$5,305,000 in general obligation refunding bonds for the purpose of advance refunding the outstanding General Obligation refunding bonds issued in 2010. The 2010 Bonds consisted of a partial refund due to the balance of the 2010 Bonds that were non-callable. The unrefunded balance of the 2010 bonds was \$250,000. In 2020, the 2010 Bonds were paid in full. Proceeds from the sale of the 2017 bonds were also used to provide funds to pay future bond interest and to pay the costs of issuance of the bonds.

The bonds interest rate ranges from 3% to 4% and are payable semiannually on each June 1 and December 1, commencing June 1, 2018.

The bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2027, and on any date thereafter, without redemption premium.

The bonds and interest are insured as to repayment by the District.

Loans payable

\$1,483,750 Loan Agreement, Colorado Water Resources and Power Development Authority (CWRPDA), dated August 19, 2009

On August 19, 2009, the District entered into a loan agreement with CWRPDA for a maximum principal amount of \$1,483,750. The loan proceeds were used for distribution system improvements, water main and meter replacements, and well improvements.

Payments of principal and interest are made semi-annually on June 1 and December 1, beginning December 1, 2010 through June 1, 2029. The loan bears interest at the rate of 2.0% per annum. The District has the option to repay the loan, in whole or in part, without penalty upon prior written notice of not less than 30 days to CWRPDA.

The 2009 loan agreement contains a restrictive covenant which requires the District to maintain a three-month operating reserve (see Note 4). At December 31, 2021, the District restricted \$376,000 of fund balance in compliance with this covenant.

Remedies under the loan agreement, in the event of default of any covenant, includes legally available remedies as the lender may deem necessary or appropriate.

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NOTES TO THE FINANCIAL STATEMENTS

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Debt Maturities

Debt maturities for the next five years and to maturity are as follows:

| <u>Year</u> | <u>Business Type Activities</u> | |
|-------------|---------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2022 | \$ 227,498 | \$ 199,153 |
| 2023 | 234,156 | 193,145 |
| 2024 | 235,847 | 186,953 |
| 2025 | 242,573 | 180,728 |
| 2026 | 254,333 | 174,318 |
| 2027- 2031 | 1,421,639 | 742,384 |
| 2032 - 2036 | 1,520,000 | 483,050 |
| 2037 - 2040 | 1,585,000 | 164,000 |
| Total | <u>\$ 5,721,046</u> | <u>\$ 2,323,731</u> |

Refunding

On December 29, 2017, the District partially refunded the Series 2010 General Obligation Bonds with the issuance of \$5,305,000 of General Obligation Refunding Bonds, Series 2017 (with an average interest rate of 3.76%).

The District refunded the financial obligations to reduce its total debt service payments over the next 23 years by almost \$670,521 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$485,744. The 2010 Bonds had a non-callable balance of \$250,000 at the time of issuance.

In the government-wide statements, the District incurred a cost on bond refunding in the amount of \$129,852, which has been deferred and is being amortized over the life of the 2017 bonds. At December 31, 2021, the remaining amount to be deferred was \$107,268.

Debt authorization

On November 4, 2008 and May 4, 2010, a majority of qualified electors of the District authorized the issuance of indebtedness in amounts not to exceed \$6,000,000 and \$6,000,000, respectively, at interest rates not to exceed 8.5% per annum. The 2010 authorization was for the purpose of refunding previously issued bonds. At December 31, 2021, the District had

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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authorized but unissued indebtedness in the following amounts allocated for the following purposes.

| <u>Purpose</u> | <u>Authorized in 2008 and 2010</u> | <u>Used by 2009 Bonds and Note</u> | <u>Used by 2010 and 2017 Bonds</u> | <u>Authorized But Unissued</u> |
|----------------|--|--|--|--|
| Water Supply | \$ 3,000,000 | \$ 2,039,234 | \$ 960,000 | \$ 766 |
| Sanitary Sewer | 3,000,000 | 2,549,516 | 450,000 | 484 |
| Refunding | 6,000,000 | - | 6,000,000 | - |
| Total | <u>\$ 12,000,000</u> | <u>\$ 4,588,750</u> | <u>\$ 7,410,000</u> | <u>\$ 1,250</u> |

7. NET POSITION

The District has net position consisting of three components: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, loans, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of December 31, 2021, the District had net investment in capital assets as follows:

| | |
|---|---------------------|
| Net investment in capital assets: | |
| Capital assets, not being depreciated | \$ 449,080 |
| Capital assets, being depreciated, net | 8,027,713 |
| Long-term liabilities due within one year | (242,908) |
| Long-term liabilities due in more than one year | <u>(5,770,927)</u> |
| Total net investment in capital assets | <u>\$ 2,462,958</u> |

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, net grantors, contributors, or laws or regulations of other governments or imposed by law through the constitutional provisions or enabling legislation. The purposes for the restrictions of net position are described in Note 4. As of December 31, 2021, the District had restricted net position as follows:

Restricted:

| | |
|------------------------------------|-------------------|
| Loan operating reserve requirement | \$ 228,936 |
| Emergency reserve (TABOR) | <u>15,300</u> |
| Total restricted net position | <u>\$ 244,236</u> |

As of December 31, 2021, the District had unrestricted net position of \$843,837.

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NOTES TO THE FINANCIAL STATEMENTS

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8. DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees’ Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of December 31, 2021.

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the 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 ("CRS"), 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 (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2020. PERA provides retirement, disability and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement and age at retirement. Retirement eligibility is specified in tables set forth in C.R.S ss 24-51-602, 604, 1713 and 1714.

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

*Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.

*The value of the retiring employee’s member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision AAP pursuant to C.R.S. ss 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified C.R.S. ss 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) 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.

Contribution provisions as of December 31, 2021. Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S.ss 24-51-401, *et seq.* and ss 24-51-413. Employee contribution rates for the period 1/1/20 through 12/31/21 are summarized in the table below:

| | January 1, 2020 Through June 30, 2020 | July 1, 2020 Through December 31, 2020 | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 |
|--|---|--|---|--|
| Employee Contribution Rate ¹ (all employees other than State Troopers) | 8.00% | 8.50% | 8.50% | 8.50% |

1. Contribution rates for the LGDTF are expressed as a percentage of salary as defined in CRS ss 24-51-101(42).

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The employer contribution requirements for all employees other than State Troopers are summarized in the table below:

| | January 1, 2020 Through June 30, 2020 | July 1, 2020 Through December 31, 2020 | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 |
|--|---|--|---|--|
| Employer Contribution Rate ¹ | 10.00% | 10.50% | 10.50% | 10.50% |
| Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. ss 24-51-208(1)(f) ¹ | (1.02)% | (1.02)% | (1.02)% | (1.02)% |
| Amount Apportioned to the LGDTF ¹ | 8.98% | 9.48% | 9.48% | 9.48% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. ss 24-51-411 ¹ | 2.20% | 2.20% | 2.20% | 2.20% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. ss 24-51-411 ¹ | 1.50% | 1.50% | 1.50% | 1.50% |
| Defined Contribution Supplement as specified in C.R.S. ss 24-51-415 | N/A | 0.02% | 2.00% | 0.02% |
| Total Employer Contribution Rate to the LGDTF ¹ | 12.68% | 13.18% | 13.20% | 13.20% |

¹ Contribution rates for the LGDTF are expressed as a percentage of salary as defined in CRS ss 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 \$56,729 for the year ended December 31, 2021.

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

At December 31, 2021, the District reported a liability of \$271,168 for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2020 relative to the total contributions of participating employers to the LGDTF. At December 31, 2020, the District's proportion was 0.05204 percent, which was a decrease of 0.00487 from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the District recognized pension expense of (\$94,357). At December 31, 2021, the District reported deferred outflows of resources and deferred

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inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$13,111 | - |
| Changes in assumptions or other inputs | 65,531 | - |
| Net difference between projected and actual earnings on pension plan investments | - | \$293,253 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 1,729 | 27,043 |
| Contributions subsequent to the measurement date | 56,729 | - |
| Total | \$137,100 | \$320,296 |

\$56,729 was reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|----------------------------|---------------|
| 2022 | \$ (52,397) |
| 2023 | (41,841) |
| 2024 | (99,407) |
| 2025 | (46,280) |
| 2026 | - |
| Thereafter | - |

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Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following 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) | 1.25% Compounded Annually |
| PERA Benefit Structure hired after December 31, 2006; (Ad Hoc, Substantively Automatic) | Financed by the Annual Increase Reserve |

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

Healthy mortality assumptions for active members 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.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 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 age 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 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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

| | |
|---|--|
| Actuarial Cost Method | Entry Age |
| Price inflation | 2.30% |
| Real wage growth | 0.70% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation | 3.20 - 11.30% |
| 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) | 1.25% Compounded Annually |
| PERA Benefit Structure hired after December 31, 2006; (Ad Hoc, Substantively Automatic) | Financed by the Annual Increase Reserve |

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

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

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

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

Post-retirement non-disabled mortality assumptions for Members other than State Troopers were based upon the PubG-2019 Healthy Retiree Table, adjusted as follows:

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

***Females:** 87 percent of the new rates prior to age 80 and 107 percent of the rates for ages 80 and older with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows.

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

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

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

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

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

*Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.

*Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses, to 4.95 percent per year, net of investment expenses.

*Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of

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the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|------------------|-------------------|--|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives - 1 | 6.00% | 4.70% |
| Total | 100.00% | |

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increase in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer

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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 the future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the LGDTF's FNP was projected to be available to make all projected future benefit payment of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|---------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 624,662 | \$ 271,168 | \$ (23,954) |

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

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9. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

Plan Description

Eligible employees of the District are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by 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. 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 (Annual Report) 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.

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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.

Enrollment in PERACare is voluntary and is available to benefit recipients and their eligible dependents, surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The 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 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were \$4,384 for the year ended December 31, 2021.

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

At December 31, 2021, the District reported a liability of \$37,447 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the District's proportion was 0.00394 percent which was an increase of 0.00042 percent from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the District recognized OPEB expense of (\$7,610). At December 31, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 99 | \$ 8,233 |
| Changes in assumptions | 280 | 2,296 |
| Net difference between projected and actual earnings on OPEB Plan investments | - | 1,530 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 3,674 | 4,596 |
| Contributions subsequent to the measurement date | 4,384 | - |
| Total | \$ 8,437 | \$ 16,655 |

\$4,384 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred

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outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Amount |
|---------------------|------------|
| 2022 | \$ (2,450) |
| 2023 | (2,236) |
| 2024 | (2,585) |
| 2025 | (3,321) |
| 2026 | (1,884) |
| Thereafter | (126) |

Actuarial assumptions

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

| | |
|---|--|
| Actuarial Cost Method | Entry Age |
| Price inflation | 2.40% |
| Real wage growth | 1.10% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% in the aggregate |
| Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health Care Cost Trend Rates | |
| Service-based Premium Subsidy | 0.00% |
| PERACare Medicare Plans | 8.10% in 2020, gradually decreasing to 4.50% in 2029 |
| Medicare Part A Premiums | 3.50% for 2020 gradually increasing to 4.50% in 2029 |

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

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

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The 2020 Medicare Part A premium is \$458 (actual dollars) per month

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

| <u>Year</u> | <u>PERACare Medicare Plans</u> | <u>Medicare Part A Premiums</u> |
|-------------|------------------------------------|-------------------------------------|
| 2020 | 8.10% | 3.50% |
| 2021 | 6.40% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.70% | 3.75% |
| 2024 | 5.50% | 4.00% |
| 2025 | 5.30% | 4.00% |
| 2026 | 5.10% | 4.00% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were 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

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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.

Post-retirement non-disabled 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 rate 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 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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

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

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

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

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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

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

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based on the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019

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

Post-retirement non-disabled mortality assumptions for the were based on the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates at all ages with generational projection using scale MP-2019

Females: 105 percent of the rates at all ages with generational projection using scale MP-2019.

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

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

The following health care costs assumptions were updated and used in the roll forward calculations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

*Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.

*Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses, to 4.95 percent per year, net of investment expenses

*Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

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

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

table as follows:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|------------------|-------------------|--|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives - 1 | 6.00% | 4.70% |
| Total | 100.00% | |

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

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

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

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---|-------------------------------|------------------------|-------------------------------|
| Initial PERACare Medicare Trend Rate | 7.10% | 5.10% | 9.10% |
| Ultimate PERACare Medicare Trend Rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A Trend Rate | 2.50% | 3.50% | 4.60% |
| Ultimate Medicare Part A Trend Rate | 3.50% | 4.50% | 5.50% |
| Proportionate Share of the Net OPEB Liability | \$36,479 | \$37,447 | \$38,573 |

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. 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, 2020, measurement date.

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate Share of the Net OPEB Liability | \$42,896 | \$37,447 | \$32,791 |

OPEB plan fiduciary net position

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

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

10. INTERFUND AND OPERATING TRANSFERS

The transfer of \$330,046 from the General Fund to the Enterprise Fund was for the purpose of assisting with capital costs of the Enterprise Fund.

11. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance.

The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2021. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settlements have not exceeded coverage during the past three fiscal years.

12. AMENDMENT TO COLORADO CONSTITUTION

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.

Enterprises, defined as government-owned businesses authorize to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District believes, after consultation with legal counsel, it is in compliance with 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 and qualification as an Enterprise will require judicial interpretation.

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

On November 3, 1998, the voters approved a ballot which stated that the District is authorized to collect, retain and expend all revenues including grants and other funds collected during 1998 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution, effective January 1, 1998, provided, however that no property tax mill levy be increased at any time nor shall any new tax be imposed without prior approval of the voters. On November 4, 2008, the District electors approved a ballot question regarding a tax increase to pay for District operations, maintenance and other expenses.

REQUIRED SUPPLEMENTAL INFORMATION

**BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Years Ended December 31,

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the Net Pension Liability (Asset) | 0.052034846% | 0.056903396% | 0.055353211% | 0.049548237% | 0.049697251% | 0.048496241% | 0.057874904% | 0.053415447% |
| District's proportionate share of the Net Pension Liability (Asset) | \$ 271,168 | \$ 416,186 | \$ 695,908 | \$ 551,685 | \$ 671,082 | \$ 534,225 | \$ 518,738 | \$ 439,567 |
| District's covered payroll | \$ 364,426 | \$ 391,850 | \$ 363,058 | \$ 312,571 | \$ 301,230 | \$ 301,229 | \$ 317,241 | \$ 281,377 |
| District's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered payroll | 74.4% | 106.2% | 191.7% | 176.5% | 222.8% | 177.3% | 163.5% | 156.2% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.9% | 86.3% | 76.0% | 79.4% | 73.6% | 76.9% | 80.7% | 80.7% |

*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2014 was not available.

**A direct distribution provision to allocate funds from the State of Colorado budget to PERA on an annual basis began in July 2018 based on Senate Bill 18-200.

**BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS**

Years Ended December 31,

| DISTRICT CONTRIBUTIONS | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Contractually Required Contribution | \$ 56,729 | \$ 47,499 | \$ 49,688 | \$ 46,036 | \$ 39,634 | \$ 38,196 | \$ 40,212 | \$ 36,135 | \$ 19,263 |
| Contributions in Relation to the Contractually Required Contribution | \$ 56,729 | \$ 47,499 | \$ 49,688 | \$ 46,036 | \$ 39,634 | \$ 38,196 | \$ 40,212 | \$ 36,135 | \$ 19,263 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 429,767 | \$ 364,426 | \$ 391,850 | \$ 363,058 | \$ 312,571 | \$ 301,230 | \$ 317,241 | \$ 284,976 | \$ 281,377 |
| Contributions as a Percentage of Covered Payroll | 13.2% | 13.0% | 12.7% | 12.7% | 12.7% | 12.7% | 12.7% | 12.7% | 6.8% |

*This schedule will report ten years of data when it is available.

BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Ten Fiscal Years

| <u>Plan Measurement Date</u> | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net OPEB liability | 0.0039408275% | 0.0043581174% | 0.0042926535% | 0.0038501306% | 0.0038149637% |
| District's proportionate share of the net OPEB liability | 37,447 | 48,985 | 58,403 | 50,036 | 49,462 |
| District's covered payroll | 364,426 | 391,850 | 363,058 | 312,571 | 301,230 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 10.28% | 12.50% | 16.09% | 16.01% | 16.42% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 32.78% | 24.49% | 17.03% | 17.53% | 16.72% |

*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2016 not available.

BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTION
Last Ten Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|----------|----------|----------|----------|----------|----------|
| Contractually Required Contribution | \$ 4,384 | \$ 3,717 | \$ 3,997 | \$ 3,703 | \$ 3,188 | \$ 3,073 |
| Contributions in Relation to the Contractually Required Contribution | 4,384 | 3,717 | 3,997 | 3,703 | 3,188 | 3,073 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered Payroll | 429,767 | 364,426 | 391,850 | 363,058 | 312,571 | 301,230 |
| Contributions as a Percentage of Covered Payroll | 1.02% | 1.02% | 1.00% | 1.00% | 1.00% | 1.00% |

These schedules are presented to show information for 10 years. Until information for the full 10 year period is available, information will be presented for the years information is available.

SUPPLEMENTAL INFORMATION

**BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION (NON-GAAP BUDGETARY BASIS)
WATER AND SEWER ENTERPRISE FUND
For the Year Ended December 31, 2021**

| | <u>Budgeted Amounts Original & Final</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|--|---------------------|---|
| REVENUE | | | |
| Water and sewer fees | \$ 793,500 | \$ 1,161,531 | \$ 368,031 |
| Availability of service fees | 225,000 | 191,677 | (33,323) |
| Property and specific ownership taxes | 212,972 | 219,905 | 6,933 |
| Tap fees | 7,500 | 48,750 | 41,250 |
| Payments in lieu of taxes | 26,000 | 15,218 | (10,782) |
| Grant income | - | 2,644 | 2,644 |
| Interest income | 2,100 | 2,468 | 368 |
| Miscellaneous income | 16,800 | 27,662 | 10,862 |
| Sale of asset | - | 7,095 | 7,095 |
| Total Revenue | <u>1,283,872</u> | <u>1,676,950</u> | <u>385,983</u> |
| EXPENDITURES | | | |
| Operations: | | | |
| Insurance | 35,000 | 34,603 | 397 |
| Office expense | 39,757 | 43,621 | (3,864) |
| Operating expenses | 26,325 | 10,667 | 15,658 |
| Professional fees | 56,000 | 55,371 | 629 |
| Repair and maintenance | 195,200 | 178,364 | 16,836 |
| Salaries and benefits | 397,559 | 421,711 | (24,152) |
| Small tools and supplies | 6,500 | 5,605 | 895 |
| Testing | 15,000 | 7,432 | 7,568 |
| Utilities | 102,950 | 100,588 | 2,362 |
| Utility billing | 17,000 | 18,918 | (1,918) |
| Vehicle operations | 31,500 | 30,762 | 738 |
| Water costs | 100,000 | 86,960 | 13,040 |
| Total Operations Expenditures | <u>1,022,791</u> | <u>994,602</u> | <u>28,189</u> |
| Debt service: | | | |
| Principal | 220,872 | 220,872 | - |
| Interest | 204,978 | 205,206 | (228) |
| Trustee, fiscal and paying agent fees | 600 | 400 | 200 |
| Capital outlay | 417,700 | 324,189 | 93,511 |
| Total Expenditures | <u>1,866,941</u> | <u>1,745,269</u> | <u>121,672</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>(583,069)</u> | <u>(68,319)</u> | <u>507,655</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer from (to) other funds | 563,000 | 330,046 | (232,954) |
| Total other financing sources | <u>563,000</u> | <u>330,046</u> | <u>(232,954)</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENSES | <u>(20,069)</u> | <u>261,727</u> | <u>274,701</u> |
| FUNDS AVAILABLE - BEGINNING OF YEAR | <u>619,702</u> | <u>934,453</u> | <u>314,751</u> |
| FUNDS AVAILABLE - END OF YEAR | <u>\$ 599,633</u> | <u>\$ 1,196,180</u> | <u>\$ 589,452</u> |

**BACA GRANDE WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUE, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUND
Year Ended December 31, 2021**

| | | |
|---|-----------|-----------------------|
| Revenue (budgetary basis) | <u>\$</u> | 2,006,996 |
| Revenue per Statement of Revenues, Expenses and Changes in Fund Net Position | | <u>2,006,996</u> |
| Expenditures (budgetary basis) | | 1,745,269 |
| Expenditures included in statement of revenues, expenses and changes in net position, but not included with expenditures on a budgetary basis: | | |
| Depreciation | | 509,745 |
| Expenditures included under budgetary basis, but not included in statement of revenues, expenses and changes in net position | | |
| Capital outlay | | (324,189) |
| Debt paid | | (220,872) |
| Pension liability | | <u>(57,122)</u> |
| Operating and non-operating expenses per statement of revenues, expenses and changes in net position | | <u>1,652,831</u> |
| Change in net position per statement of revenue, expenses and changes in net position | <u>\$</u> | <u><u>354,165</u></u> |

BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2021

| Year Ended December 31, | \$5,305,000 General Obligation Bonds, Series 2017/2010 Principal Due on December 1 Interest Rate of 3% to 4% Payable on June 1 and December 1 | | | 1,483,750 Colorado Water Resources an Power Development Authority Loan Principal and Interest Interest Rate of 2.00% Due June 1 and December 1 | | |
|------------------------------------|--|---------------------|---------------------|---|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2022 | \$ 145,000 | \$ 186,350 | \$ 331,350 | \$ 82,498 | \$ 12,803 | \$ 95,301 |
| 2023 | 150,000 | 182,000 | 332,000 | 84,156 | 11,145 | 95,301 |
| 2024 | 150,000 | 177,500 | 327,500 | 85,847 | 9,453 | 95,300 |
| 2025 | 155,000 | 173,000 | 328,000 | 87,573 | 7,728 | 95,301 |
| 2026 | 165,000 | 168,350 | 333,350 | 89,333 | 5,968 | 95,301 |
| 2027 | 215,000 | 163,400 | 378,400 | 91,129 | 4,172 | 95,301 |
| 2028 | 225,000 | 156,950 | 381,950 | 92,960 | 2,340 | 95,300 |
| 2029 | 235,000 | 147,950 | 382,950 | 47,550 | 472 | 48,022 |
| 2030 | 250,000 | 138,550 | 388,550 | - | - | - |
| 2031 | 265,000 | 128,550 | 393,550 | - | - | - |
| 2032 | 275,000 | 117,950 | 392,950 | - | - | - |
| 2033 | 290,000 | 106,950 | 396,950 | - | - | - |
| 2034 | 305,000 | 95,350 | 400,350 | - | - | - |
| 2035 | 320,000 | 86,200 | 406,200 | - | - | - |
| 2036 | 330,000 | 76,600 | 406,600 | - | - | - |
| 2037 | 345,000 | 63,400 | 408,400 | - | - | - |
| 2038 | 395,000 | 49,600 | 444,600 | - | - | - |
| 2039 | 415,000 | 33,800 | 448,800 | - | - | - |
| 2040 | 430,000 | 17,200 | 447,200 | - | - | - |
| | <u>\$ 5,060,000</u> | <u>\$ 2,269,650</u> | <u>\$ 7,329,650</u> | <u>\$ 661,046</u> | <u>\$ 54,081</u> | <u>\$ 715,127</u> |

(continued)

BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2021
(continued)

| Year Ended December 31, | Total | | |
|------------------------------------|--------------------|--------------------|--------------------|
| | Principal | Interest | Total |
| 2022 | \$ 227,498 | \$ 199,153 | \$ 426,651 |
| 2023 | 234,156 | 193,145 | 427,301 |
| 2024 | 235,847 | 186,953 | 422,800 |
| 2025 | 242,573 | 180,728 | 423,301 |
| 2026 | 254,333 | 174,318 | 428,651 |
| 2027 | 306,129 | 167,572 | 473,701 |
| 2028 | 317,960 | 159,290 | 477,250 |
| 2029 | 282,550 | 148,422 | 430,972 |
| 2030 | 250,000 | 138,550 | 388,550 |
| 2031 | 265,000 | 128,550 | 393,550 |
| 2032 | 275,000 | 117,950 | 392,950 |
| 2033 | 290,000 | 106,950 | 396,950 |
| 2034 | 305,000 | 95,350 | 400,350 |
| 2035 | 320,000 | 86,200 | 406,200 |
| 2036 | 330,000 | 76,600 | 406,600 |
| 2037 | 345,000 | 63,400 | 408,400 |
| 2038 | 395,000 | 49,600 | 444,600 |
| 2039 | 415,000 | 33,800 | 448,800 |
| 2040 | 430,000 | 17,200 | 447,200 |
| | <u>\$5,721,046</u> | <u>\$2,323,731</u> | <u>\$8,044,777</u> |

**BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF ASSESSED VALUATION AND MILL LEVY CERTIFICATION**

Years Ended December 31,

| | <u>2021 Certified</u> | <u>2020 Certified</u> | <u>2019 Certified*</u> | <u>2018 Certified*</u> | <u>2018 Adopted</u> | <u>2017</u> | <u>2016</u> |
|-----------------------------------|---------------------------|---------------------------|----------------------------|----------------------------|-------------------------|---------------|---------------|
| Assessed Valuation - Final | \$ 11,174,827 | \$ 11,220,407 | \$ 10,349,652 | \$ 10,135,580 | \$ 10,853,794 | \$ 11,885,632 | \$ 12,073,444 |
| Mill Levy - Certified | 54.000 | 54.000 | 54.000 | 54.000 | 54.000 | 54.000 | 54.000 |

**Final Assessed Valuation substantially less than Preliminary Assessed Valuation.*