

***Republican River Water
Conservation District
Wray, Colorado***

**Financial Statements
For the Year Ended December 31, 2021**

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Independent Auditors' Report

To the Board of Directors
Republican River Water Conservation District
Wray, Colorado

Opinions

We have audited the accompanying financial statements of Republican River Water Conservation 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 District as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing the audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and historical pension and other post-employment benefit plan information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management

about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
September 9, 2022

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2021

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year ended December 31, 2021. Please read it in conjunction with the financial statements.

Financial Highlights

The District's net position increased by \$4,470,723 due predominately to the annual assessments exceeding the costs of operations (exclusive of capital acquisitions and debt service payments).

Overview of the Financial Statements

This annual report consists of four parts:

- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Other Supplementary Information

Financial Analysis of the District

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and the Statement in Cash Flows report information about the District's activities in a way that can help answer that question. These three statements report the net position of the District and the related changes therein, along with the changes in cash. The District's net position (the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is one way to measure financial health or financial position. Over time, increases in the District's net position are one indicator that the District's financial health is improving. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, or changes in governmental legislation.

Net Position

As part of our analysis, we provide a summary of the District's Statement of Net Position below:

Condensed Statement of Net Position

	2021	2020	Change
Current assets	\$ 13,172,722	\$ 13,675,517	\$ (502,795)
Noncurrent assets	82,360,420	81,566,272	794,148
Total assets	95,533,142	95,241,789	291,353
Deferred outflows of resources	66,040	40,734	25,306
Total assets and deferred Outflows of resources	\$ 95,599,182	\$ 95,282,523	\$ 316,659
Current liabilities	\$ 4,551,801	\$ 5,337,067	\$ (785,266)
Long-term liabilities	32,047,078	35,473,339	(3,426,261)
Total liabilities	36,598,879	40,810,406	(4,211,527)
Deferred inflows of resources	158,179	100,716	57,463
Net position			
Net investment in capital assets	46,598,762	41,936,525	4,662,237
Restricted for debt service	3,366,980	3,366,980	-
Unrestricted	8,876,382	9,067,896	(191,514)
Total net position	58,842,124	54,371,401	4,470,723
Total liabilities, deferred inflows of resources and net position	\$ 95,599,182	\$ 95,282,523	\$ 316,659

While the Statement of Net Position shows the net position, the Statement of Revenues, Expenses and Changes in Fund Net Position provides answers as to the nature and sources of these changes.

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position

	2021	2020	Change
Operating revenue	\$ 7,863,052	\$ 7,464,877	\$ 398,175
Operating expenses	2,745,497	1,857,196	888,301
Operating income	5,117,555	5,607,681	(490,126)
Nonoperating revenues	234,814	122,754	112,060
Nonoperating expenses	881,646	739,264	142,382
Change in net position	4,470,723	4,991,171	(520,448)
Net position at beginning of year	54,371,401	49,380,230	4,991,171
Net position at end of year	\$ 58,842,124	\$ 54,371,401	\$ 4,470,723

Budgetary Highlights

Budget to actual comparative statements are included as Other Supplementary Information in the audited financial statements.

Significant variances occurred between the final budget and actual numbers as follows:

Pipeline revegetation – The District allocated costs for revegetation that were not realized in the current period.

Contracts expense – The District allocated costs for contracts that were not realized in the current period.

Water purchases – The District had opportunities to secure water rights at levels that were not anticipated when the budget was adopted.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2021, the District reported the following components of capital assets:

	2021	2020	Change
Capital assets not being depreciated			
Water rights	\$ 65,659,571	\$ 64,284,201	\$ 1,375,370
Easements	263,114	263,114	-
Total capital assets not being depreciated	65,922,685	64,547,315	1,375,370
Capital assets being depreciated			
Equipment	117,502	95,296	22,206
Vehicles	39,290	39,290	-
Pipeline	17,701,881	17,686,033	15,848
Accumulated depreciation	(2,920,938)	(2,551,662)	(369,276)
Total capital assets being depreciated	14,937,735	15,268,957	(331,222)
Total capital asset	\$ 80,860,420	\$ 79,816,272	\$ 1,044,148

At December 31, 2021, the District reported the following components of long-term debt:

	2021	2020	Change
Notes from direct borrowings	\$ 34,261,658	\$ 37,879,747	\$ (3,618,089)
Contracts payable	1,769,054	2,309,785	(540,731)
Total long-term debt	\$ 36,030,712	\$ 40,189,532	\$ (4,158,820)

Economic Factors and Next Year's Budget

The District's Board of Directors and management consider many factors when setting the 2021 budget, including user fees and charges. The following schedule presents the changes in the District's budget from 2021 to 2022.

	2022	2021	Change
Beginning balances	\$ 12,832,216	\$ 11,347,882	\$ 1,484,334
Revenues			
Operating activities	7,636,250	7,659,000	(22,750)
Investing activities	45,000	70,000	(25,000)
Financing activities	-	-	-
Total revenues	7,681,250	7,729,000	(47,750)
Expenses			
Operating activities	2,660,846	2,669,444	(8,598)
Programs and purchases	4,532,750	3,157,636	1,375,114
Financing activities	4,323,579	4,021,021	302,558
Total expenses	11,517,175	9,848,101	1,669,074
Ending balances	\$ 8,996,291	\$ 9,228,781	\$ (232,490)

The overall financial position of the District remains strong.

The budget for 2022 represents the effort by the District to assist the State of Colorado to carry out the State's duty to comply with the limitations imposed upon the State by the Republican River compact and to safeguard for Colorado all waters the State is equitably entitled. The operation of the Compact Compliance Pipeline and purchasing and/or leasing irrigator's water rights on a voluntary basis to reduce consumptive use from the Republican River Basin are major activities of the District. To assist with compact compliance the District encourages water conservation and projects focused on restoring streamflow.

The Board of Directors did certify, for the 2022 budget year, a special assessment of \$14.50 per irrigated acre either by flood irrigation or by sprinkler irrigation of each large capacity well within the District, \$154.00 per acre-foot of surface water diverted within the District, \$5.80 per acre-foot of water usage for all commercial and municipal wells that pumped over 50 acre-feet of water within the District, as stated in the Revised Policy No. 19-3 Establishing and Correcting Water Use Fees for Non-Groundwater Irrigation Use in Accordance with the Republican River Compact Administration Accounting Procedures and Reporting Requirements.

The District’s 2022 budget contains the following allocations:

County treasurer fees	\$	227,288
Professional services		373,000
Salaries and board compensation		297,359
Permanent water retirement		4,387,337
Temporary water retirement		29,413
Loan payments and interest		4,021,021
Pipeline operation and maintenance		600,000
Pipeline revegetation		1,000,000
Project expenses		40,000
<u>Normal operating expenses</u>		<u>239,200</u>
<u>Total budgeted expenses</u>	\$	<u>11,214,618</u>

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about the report or need additional information, contact the office at 410 Main Street, Suite 8, Wray, Colorado 80758 or call 970-332-3552.

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Basic Financial Statements

The basic financial statements of the Republican River Water Conservation District include the following:

Financial statements. The financial statements display information about the reporting government as a whole.

Notes to the financial statements. The notes communicate information essential for the fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Net Position
December 31, 2021

Assets	
Current assets	
Cash	\$ 8,808,082
Cash with county treasurer	92,456
Certificates of deposit	2,168,240
Investments	1,703,443
Accounts receivable	120,303
Prepaid items	280,198
	<hr/>
Total current assets	13,172,722
Noncurrent assets	
Long-term prepaid items	1,500,000
Easements	263,114
Water rights	65,659,571
Capital assets, net of depreciation	14,937,735
	<hr/>
Total noncurrent assets	82,360,420
	<hr/>
Total assets	95,533,142
Deferred outflows of resources	
Pension deferrals	63,249
Other post-employment benefit deferrals	2,791
	<hr/>
Total deferred outflows of resources	66,040
	<hr/>
Total assets and deferred outflows of resources	<u>\$ 95,599,182</u>

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

Liabilities	
Current liabilities	
Accounts payable	\$ 78,320
Unearned assessments	97,185
Accrued interest	237,555
Current portion of notes payable	3,687,525
Current portion of contracts payable	451,216
	<hr/>
Total current liabilities	4,551,801
Long-term liabilities	
Notes payable	30,574,133
Contracts payable	1,317,838
Net pension liability	136,353
Net other post-employment benefit liability	18,754
	<hr/>
Total long-term liabilities	32,047,078
	<hr/>
Total liabilities	36,598,879
Deferred inflows of resources	
Pension deferrals	149,220
Other post-employment benefit deferrals	8,959
	<hr/>
Total deferred inflows of resources	158,179
Net position	
Net investment in capital assets	46,598,762
Restricted for debt service	3,366,980
Unrestricted	8,876,382
	<hr/>
Total net position	58,842,124
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Total liabilities, deferred inflows of resources and net position	<u>\$ 95,599,182</u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2021

Operating revenues	
Leases	\$ 228,000
Assessments	7,635,052
	<hr/>
Total operating revenues	7,863,052
Operating expenses	
Contract labor	1,738
County treasurer fees	219,117
Dues, education and training	4,608
Fringe benefits	3,231
Insurance and bonding	32,194
Land and water rights	74,907
Meetings	19,031
Office	24,939
Payroll	178,460
Pipeline operation	342,534
Professional services	259,194
Telephone and internet	9,879
Travel	4,924
Vehicle	(360)
Contracts expense	915,923
Water lease	29,413
Depreciation and amortization	625,765
	<hr/>
Total operating expenses	2,745,497
	<hr/>
Operating income	5,117,555
Nonoperating revenues (expenses)	
Interest on investments	86,614
Investment gain (loss)	(47,834)
Debt service interest	(679,612)
Grant revenue	148,200
Grant expenses	(154,200)
	<hr/>
Total nonoperating revenues (expenses)	(646,832)
	<hr/>
Change in net position	4,470,723
Net position at beginning of year	54,371,401
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Net position at end of year	<u>\$ 58,842,124</u>

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

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REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities	
Receipts from lessees	\$ 228,000
Receipts from assessments	7,523,039
Payments to suppliers	(1,022,032)
Payments to well owners	(1,456,654)
Payments to employees	(178,460)
	<hr/>
Net cash provided by operating activities	5,093,893
Cash flows from noncapital financing activities	
Grant revenues	150,518
Grant expenses	(154,200)
	<hr/>
Net cash used by noncapital financing activities	(3,682)
Cash flows from capital and related financing activities	
Purchase of capital assets	(44,543)
Purchase of water rights	(1,375,370)
Principal paid on capital debt	(3,618,089)
Interest paid on capital debt	(705,489)
	<hr/>
Net cash used by capital and related financing activities	(5,743,491)
Cash flows from financing activities	
Earnings on investments	68,088
Proceeds from the sale of investments	1,285,000
Purchase of investments	(1,313,512)
	<hr/>
Net cash provided by financing activities	39,576
	<hr/>
Net change in cash	(613,704)
Cash at beginning of year	9,421,786
	<hr/>
Cash at end of year	<u><u>\$ 8,808,082</u></u>

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

Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 5,117,555
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	625,765
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Cash with county treasurer	2,508
Accounts receivable	(117,961)
Prepaid items	1,430
Pension and other post-employment deferrals	32,157
Accounts payable	29,194
Unearned assessments	3,440
Contracts payable	(540,731)
Net pension liability	(55,642)
Net other post-employment benefit liability	(3,822)
	<hr/>
Net cash provided by operating activities	<u><u>\$ 5,093,893</u></u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Republican River Water Conservation District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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

The more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Republican River Water Conservation District has examined other entities that could be included as defined in numbers 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Basis of presentation

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets its cash flow needs.

A.3 – Encumbrances

Encumbrance accounting is not used by the District.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

A.4 – Cash and cash equivalents

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

A.5 – Capital assets

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until project completion with interest earned on invested proceeds over the same period. No interest was capitalized during the year.

All reported assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	7-15 years
Vehicles	5 years
Pipeline	50 years

A.6 – Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

A.7 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements. Costs related to the issuance of debt (other than insurance costs) are expensed in the period incurred.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

A.8 – Net position

Net position reports the differences between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are liabilities imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A.9 – Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the District. These revenues primarily consist of irrigation assessments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A.10 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within control of the board of directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

A.11 – Budgets and budgetary accounting

An annual budget is established for the District. The budget is adopted on a basis consistent with generally accepted accounting principles except for capital purchases, note principal retirement and contract retirement, which are budgeted as operating expenses and depreciation and amortization, which are not budgeted as operating expenses. The legal level of control is considered to be the entity as a whole and expenses may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by the board of directors.

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

- On or before October 15th, the budget officer submits to the board of directors a budget which shall be a complete financial plan for the ensuing fiscal year.
- The budget is prepared using the cash basis of accounting.
- Public hearings are conducted to obtain comments.
- Prior to December 31st, the budget is legally adopted through passage of an adoption resolution.

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year-end, the District had total deposits of \$11,051,894, of which \$1,154,034 was insured and \$9,897,860 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Investments

Colorado State Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, corporate bonds, repurchase agreements and money market funds with a maturity date no more than five years from the date of purchase. The District currently has invested funds with First Financial Equity Corporation, consisting of taxable bonds from Federal Home Loan Banks in the amount of \$1,703,443.

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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note B – Cash and investments (continued)

At year-end, the District had the following fair value investments:

<u>Level 2</u>		
Taxable bonds – Federal Home Loan Banks	\$	<u>1,703,443</u>

Credit Risk – State statutes authorize the District to only invest in bank deposits, general obligations of the U.S. Government and its highest rated agencies, repurchase agreements of less than 180 days and collateralized by U.S. Treasury or Federal Instrumentality Securities with a maturity not exceeding 10 years, highest rated commercial paper, corporate bonds, certain banker’s acceptances, local government investment pools, money market funds and time certificates of deposit. The District has no investment policy that would further limit its investment choices. All investments in U.S. Instrumentalities are rated Aaa, the highest rating available.

Interest rate risk – As a means of limiting exposure to fair value losses from interest rates, Colorado Revised Statutes limit maturities to five years or less, unless the Board of Directors authorizes longer maturities. The District follows Colorado Revised Statutes for its investments.

Taxable bonds, maturing in 1-5 years	\$	<u>1,703,443</u>
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Note C – Capital assets

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital assets, not being depreciated:				
Water rights	\$ 64,284,201	\$ 1,375,370	\$ -	\$ 65,659,571
Easements	263,114	-	-	263,114
Total capital assets, not being depreciated	64,547,315	1,375,370	-	65,922,685
Capital assets being depreciated:				
Equipment	95,296	28,695	(6,489)	117,502
Vehicles	39,290	-	-	39,290
Pipeline	17,686,033	15,848	-	17,701,881
Less accumulated depreciation	(2,551,662)	(375,765)	6,489	(2,920,938)
Total capital assets, being depreciated	15,268,957	(331,222)	-	14,937,735
Total capital assets	\$ 79,816,272	\$ 1,044,148	\$ -	\$ 80,860,420

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note D – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	Beginning Balances	Additions	Reductions	Ending Balances	Due within one year
Notes from direct borrowings	\$ 37,879,747	\$ -	\$ (3,618,089)	\$ 34,261,658	\$ 3,687,525
Contracts payable	2,309,785	915,923	(1,456,654)	1,769,054	451,216
Totals	\$ 40,189,532	\$ 915,923	\$ (5,074,743)	\$ 36,030,712	\$ 4,138,741

Notes payable

CWCB Note – Pipeline project – The District entered into a \$60,600,000 note agreement with the Colorado Water Conservation Board (the CWCB) dated November 3, 2008, due in annual installments of \$3,706,097 through 2029, with a final payment of \$1,136,404 due September 1, 2030. The interest rate for the agreement is 2.00%. The agreement provided for the disbursement of funds at the District’s request to facilitate the construction of the Republican River Compact Compliance Pipeline Project.

CWCB Note – Surface water rights– The District entered into a \$5,570,150 note agreement with the Colorado Water Conservation Board (the CWCB) dated April 10, 2020, due in annual installments of \$314,924 through 2040, with a final payment due May 1, 2040. The interest rate for the agreement is 1.20%. The agreement provided for the disbursement of funds at the District’s request to purchase surface water rights to assist the State of Colorado to meet its obligations under the Republican River Compact.

The loan agreements contain various covenants including the establishment and maintenance of a debt service reserve fund, in which the District is required to deposit an amount equal to one-tenth of an annual payment on the due date of its first annual loan payment and annually thereafter for the first ten years of repayment of this loan. The District has restricted funds in the amount of \$3,366,980 in satisfaction of the debt service fund. The District must also take all necessary actions consistent therewith during the term of this contract to establish, levy and collect rates, charges and fees in amounts sufficient to pay this loan, to cover all expenditures for operation and maintenance and emergency repair services, and to maintain adequate debt service reserves. The District believes it is in compliance with the covenants as set forth in the loan agreement.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note D – Long-term debt (Continued)

The District’s outstanding notes with the CWCB with current balances of \$33,421,906 are secured with collateral of the pledged revenues as defined in the loan agreements. The outstanding note contains (1) a provision that in an event of default as defined in the loan agreement, the CWCB shall have the right to suspend the contract and withhold further loan disbursements pending corrective action by the District, and if the District does not cure the default as provided for in the contract, to permanently cease loan disbursements and deem the project substantially complete, (2) declare the entire principal amount, accrued interest, and late charges, if any, then outstanding immediately due and payable, (3) exercise its right under any appendices to the contract, including, but not limited to, the promissory note and security agreement, and (4) take any other appropriate action.

The District entered into a \$660,000 note agreement with a landowner dated May 1, 2019, due in annual installments of \$177,558, with a final payment due May 1, 2023. The interest rate for the agreement is 3%. The agreement provided for the acquisition of 3.0 c.f.s. of the Hayes Creek Ditch water right. The District’s outstanding note with the landowner with a current balance of \$339,752 is unsecured.

The District entered into a \$750,000 note agreement with a landowner dated May 3, 2019, due in annual installments ranging from \$125,000 to \$250,000, with a final payment due May 1, 2024. The interest rate for the agreement is 0%. The agreement provided for the acquisition of varying water rights in local ditches. The District’s outstanding note with the landowner with a current balance of \$500,000 is unsecured.

The following schedule represents the District’s debt service requirements to maturity for the outstanding notes from direct borrowings at year-end:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 3,687,525	\$ 636,054
2023	3,758,452	565,127
2024	3,778,242	492,778
2025	3,596,750	424,271
2026	3,666,604	354,417
2027-2031	13,102,620	726,695
2032-2036	1,448,684	125,935
2037-2040	1,222,781	36,880
Totals	\$ 34,261,658	\$ 3,362,157

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note D – Long-term debt (Continued)

Contracts payable

In an effort to help the State of Colorado in complying with the Republican River Compact between Colorado, Kansas and Nebraska, the District has developed programs to provide options to producers who wish to voluntarily retire their irrigation water rights.

Conservation Reserve Enhancement Program (CREP) – is a conservation program in which a large-capacity water right used for irrigation is voluntarily permanently retired, a grass habitat is established, and the well owner receives an annual payment from FSA and the District in return for a 15 year contract.

Environmental Quality Incentives Program (EQIP) – is a water conservation program in which the well owner voluntarily retires their large-capacity water right used for irrigation and in exchange is provided annual compensation through the NRCS and the District. The contract length may vary.

Ogallala Aquifer Incentive Program (OAI) – is a water conservation program in which the well owner voluntarily retires their large-capacity water right used for irrigation and in exchange is provided annual compensation through the NRCS and the District. The contract length varied. This program is no longer offered. OAI contracts that are still in effect will continue to receive annual payments until the end of each contract.

The following schedule represents the District’s requirements to maturity for the outstanding contracts payable at year-end:

<u>Year Ended December 31,</u>	<u>Payments</u>
2022	\$ 451,216
2023	331,577
2024	212,100
2025	177,057
2026	75,457
2027-2031	320,957
2032-2035	200,690
<u>Totals</u>	<u>\$ 1,769,054</u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note E – Risk management

The Republican River Water Conservation District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; claims relating to professional liability; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note F – 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 plan 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. Most 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 (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

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 at C.R.S. Section 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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. Section 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 of the 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 in C.R.S. Section 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.

Contributions 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. Section 24-51-401, *et seq.* and Section 24-51-413. Employee contribution rates for the year 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 (all employees other than State Troopers)	8.00%	8.50%	8.50%	8.50%
State Troopers	10.75%	12.00%	12.00%	12.50%

** Contribution Rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

	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	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. Section 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%	(1.02)%
Amount apportioned to the LGDTF	8.98%	9.48%	9.48%	9.48%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411	2.20%	2.20%	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%	1.50%	1.50%	1.50%
Defined Contribution Supplement as specified in C.R.S. Section 24.51-415	N/A	N/A	0.02%	0.02%
Total employer contribution rate to the LGDTF	12.68%	13.18%	13.20%	13.20%

** Contribution Rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

The employer contribution rates for 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	13.10%	13.60%	13.60%	13.60%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%	(1.02)%
Amount apportioned to the LGDTF	12.08%	12.58%	12.58%	12.58%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411	2.20%	2.20%	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411	1.50%	1.50%	1.50%	1.50%
Defined Contribution Supplement as specified in C.R.S. Section 24.51-415	N/A	N/A	0.02%	0.02%
Total employer contribution rate to the LGDTF	15.78%	16.28%	16.30%	16.30%

** Contribution Rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. Section 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 \$23,699 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 year-end, the District reported a liability of \$136,353 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 the District's contributions to the LGDTF for the calendar year 2020 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2020, the District's proportion was 0.0262 percent, which was a decrease of .0001% from its proportion measured as of December 31, 2019.

For the year, the District recognized pension expense of \$(2,004). At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,599	\$ -
Changes of assumptions or other inputs	32,951	-
Net difference between projected and actual earnings on pension plan investments	-	146,013
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	3,207
Contributions subsequent to the measurement date	<u>23,699</u>	<u>-</u>
Total	<u>\$ 63,249</u>	<u>\$ 149,220</u>

\$23,699 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 subsequent year. 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 December 31,</u>	<u>Amount</u>
2022	\$ (20,493)
2023	(15,832)
2024	(50,073)
2025	<u>(23,272)</u>
Totals	<u>\$ (109,670)</u>

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

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%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (compounded annually)	1.25% annually
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the AIR

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 those 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 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 employees 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.

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.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members other than State Troopers	3.20% – 11.30%
State Troopers ¹	3.20% – 12.40%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic) ²	Financed by the AIR

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

² 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 those benefit tiers can never exceed available assets.

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

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

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

Pre-retirement mortality assumptions for State Troopers were based on the PubS-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-2010 Healthy Retiree Table, adjusted as follows:

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

- **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.

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

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

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

- Price inflation assumption decreased from 2.40 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 are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation 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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global equity	54.00%	5.60%
Fixed income	23.00%	1.30%
Private equity	8.50%	7.10%
Real estate	8.50%	4.40%
Alternatives ¹	<u>6.00%</u>	4.70%
Total	<u>100.00%</u>	

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

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

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 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%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increase in SB-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-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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

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 contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP 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 payments 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 <u>(6.25%)</u>	Current Discount <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net pension liability	\$ 314,102	\$ 136,353	\$ (12,045)

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

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.

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

Note G – Defined contribution pension plan

Voluntary Investment Program

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

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year, there were no contributions from program members or the District for the Voluntary Investment Program.

Defined Contribution Retirement Plan (DC Plan)

Plan description. Employees of the LGDTF that were hired on or after January 1, 2019 which were eligible to participate in the LGDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the LGDTF or the Defined Contribution Retirement Plan (PERA DC Plan). The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's Annual Report as referred to above.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note G – Defined contribution pension plan (Continued)

Funding policy. All participating employees in the PERA DC Plan and the District are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates are summarized in the tables 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 rates:				
Employee contribution (all employees other than State Troopers)	8.00%	8.50%	8.50%	8.50%
State Troopers	10.75%	12.00%	12.00%	12.50%
Employer contribution rates:				
On behalf of all employees (other than State Troopers)	10.00%	10.00%	10.00%	10.00%
State Troopers	12.85%	12.85%	12.85%	12.85%

Additionally, the employers are required to contribute to the LGDTF on behalf of all employees other than State Troopers as follows:

	Through June 30, 2020	Through December 31, 2020	Through June 30, 2021	Through December 31, 2021
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹	2.20%	2.20%	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411 ¹	1.50%	1.50%	1.50%	1.50%
Automatic adjustment provision (AAP), as specified in C.R.S. Section 24-51-413 ¹	N/A	.50%	.50%	.50%
Defined Contribution Supplement as specified in C.R.S. Section 24.51-415	N/A	N/A	0.02%	0.02%
Total employer contribution rate to the LGDTF ¹	3.70%	4.20%	4.22%	4.22%

¹ Contribution rates for the DC Plan are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note G – Defined contribution pension plan (Continued)

Additionally, the employers are required to contribute to the LGDTF on behalf of all State Troopers as follows:

	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
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹	2.20%	2.20%	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411 ¹	1.50%	1.50%	1.50%	1.50%
Automatic adjustment provision (AAP), as specified in C.R.S. Section 24-51-413 ¹	N/A	.50%	.50%	.50%
Defined contribution statutory contribution as specified in C.R.S. Section 24-51-1505 ¹	0.25%	0.25%	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S. Section 24-51-415 ¹	N/A	N/A	0.02%	0.02%
Total employer contribution rate to the LGDTF ¹	3.95%	4.45%	4.47%	4.47%

¹ Contribution rates for the DC Plan are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. The District did not have any employees participating in the DC Plan.

Note H – 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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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 the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the District are provided with OPEB through the HCTF – a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. 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, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. Section 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.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy, in each case, is for retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$1,812 for the year ended June 30, 2021.

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

At year-end, the District reported a liability of \$18,754 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 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 0.0020 percent, which is the same as its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$208. At year-end, the District reported deferred outflows of resources and deferred inflows 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	\$ 58	\$ 4,178
Changes of assumptions or other inputs	155	1,150
Net difference between projected and actual earnings on OPEB plan investments	-	761
Changes in proportion and differences between contributions recognized and proportionate share of contributions	766	2,870
Contributions subsequent to the measurement date	<u>1,812</u>	<u>-</u>
Total	<u>\$ 2,791</u>	<u>\$ 8,959</u>

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

\$1,812 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>June 30, ___</u>	<u>Amount</u>
2022	\$ (1,741)
2023	(1,616)
2024	(2,109)
2025	(1,877)
2026	(599)
2027	<u>(38)</u>
Total	<u>\$ (7,980)</u>

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

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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 December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

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

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 used to measure the total OPEB liability are summarized in the table below:

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

The mortality assumption for disabled retirees was based on 90 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 period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, 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%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%	N/A

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

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.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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 with generational projection using scale MP-2019.

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

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

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

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

- **Males:** 94 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 State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

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

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

- **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.

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

The PERA Board first adopted the 7.25 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 table as follows:

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

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

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

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

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	<u>3.50%</u>	<u>4.50%</u>	<u>5.50%</u>
Net OPEB Liability	\$ 18,269	\$ 18,754	\$ 19,318

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.
- 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 to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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, and therefore, the discount rate is 7.25 percent.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note H – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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	\$ 21,483	\$ 18,754	\$ 16,422

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.

Payables to the OPEB plan

The District did not report any payables to the OPEB plan at year-end.

Note I – Commitments and contingencies

Taxpayer Bill of Rights

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer’s Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and local growth. Revenue received in excess of the limitation may be required to be refunded unless the District voters decide to allow the District to retain the revenue. The District may be subject to the provisions of the TABOR Amendment. TABOR is complex and subject to judicial interpretation. The District considers itself to be a water activity enterprise and, in accordance with Colorado Revised Statutes 37-45.1-103, is excluded from the provisions of TABOR. However, the District has made certain interpretations of TABOR’s language in order to determine its compliance.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to Financial Statements

Note J - Operating lease

On January 14, 2016, the District entered into a renewal and extension agreement with Yuma County Water Authority Public Improvement District for the leasing of 15/96th of the Laird Ditch water right. The agreement runs through 2028 with an annual payment of \$29,413.

Minimum annual rental payments required under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Payment</u>
2022	\$ 29,413
2023	29,412
2024	29,413
2025	29,412
2026	29,413
2027-2028	58,825
<u>Total</u>	<u>\$ 205,888</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Schedule of the District's Proportionate Share of the Net Pension Liability – PERA's Local Government Division Trust Fund
- Schedule of District Contributions – PERA's Local Government Division Trust Fund
- Schedule of the District's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund
- Schedule of District Contributions – PERA's Health Care Trust Fund

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability ¹
PERA's Local Government Division Trust Fund
December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.0262%	0.0263%	0.0287%	0.0297%
District's proportionate share of the net pension liability	\$ 136,353	\$ 191,995	\$ 360,821	\$ 330,502
District's covered payroll	\$ 189,710	\$ 181,200	\$ 188,242	\$ 187,255
District's proportionate share of the net pension liability as a percentage of its covered payroll	71.87%	105.96%	191.68%	176.50%
Plan fiduciary net position as a percentage of the total pension liability	90.88%	86.26%	75.96%	79.37%

* The amounts presented for each fiscal year were determined as of December 31 of the prior year.

¹ Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0278%	0.0344%	0.0325%	0.0278%
\$ 375,457	\$ 378,846	\$ 291,605	\$ 228,964
\$ 168,531	\$ 195,315	\$ 169,197	\$ 149,040
222.78%	193.97%	172.35%	153.63%
73.60%	76.90%	80.70%	77.66%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Schedule of District Contributions ¹
PERA's Local Government Division Trust Fund
December 31, 2021

	2021	2020	2019	2018
Contractually required contribution	\$ 23,699	\$ 23,884	\$ 22,976	\$ 23,869
Contributions in relation to the contractually required contribution	(23,699)	(23,884)	(22,976)	(23,869)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 177,640	\$ 189,710	\$ 181,200	\$ 188,242
Contributions as a percentage of covered payroll	13.34%	12.59%	12.68%	12.68%

¹ Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 23,744	\$ 21,370	\$ 24,766	\$ 21,454	\$ 18,898
<u>(23,744)</u>	<u>(21,370)</u>	<u>(24,766)</u>	<u>(21,454)</u>	<u>(18,898)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 187,255	\$ 168,531	\$ 195,315	\$ 169,197	\$ 149,040
12.68%	12.68%	12.68%	12.68%	12.68%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability ¹
PERA's Health Care Trust Fund
December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0020%	0.0020%	0.0022%	0.0023%
District's proportionate share of the net OPEB liability	\$ 18,754	\$ 22,576	\$ 30,281	\$ 29,976
District's covered payroll	\$ 182,510	\$ 180,600	\$ 188,242	\$ 187,255
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	10.28%	12.50%	16.09%	16.01%
Plan fiduciary net position as a percentage of the net OPEB liability	32.78%	24.49%	17.03%	17.53%

* The amounts presented for each fiscal year were determined as of December 31 of the prior year.

¹ Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

2017

0.0021%

\$ 27,673

\$ 168,531

16.42%

16.72%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Schedule of District Contributions ¹
PERA's Health Care Trust Fund
December 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,812	\$ 1,862	\$ 1,842	\$ 1,920
Contributions in relation to the contractually required contribution	<u>(1,812)</u>	<u>(1,862)</u>	<u>(1,842)</u>	<u>(1,920)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 177,640	\$ 182,510	\$ 180,600	\$ 188,242
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

¹ Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

<u>2017</u>	<u>2016</u>
\$ 1,910	\$ 1,719
<u>(1,910)</u>	<u>(1,719)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 187,255	\$ 168,531
1.02%	1.02%

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Notes to the Required Supplementary Information

Note A – Factors affecting trends in amounts reported in the pension and OPEB schedules

Information about factors that significantly affect trends in the amounts reported in the Schedules of the District's Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Supplementary Information

Supplementary information includes financial schedules not required by the Governmental Accounting Standards Board, are not a part of the basic financial statements, but are presented for purposes of additional analysis.

REPUBLICAN RIVER WATER CONSERVATION DISTRICT
Budgetary Comparison Schedule
For the Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Conservation	\$ 15,000	\$ 15,000		\$ (15,000)
Leases			\$ 228,000	228,000
Assessments	7,644,000	7,644,000	7,618,399	(25,601)
Total operating revenues	7,659,000	7,659,000	7,846,399	187,399
Operating expenses				
Contract labor			1,198	(1,198)
County treasurer fees	227,940	227,940	218,278	9,662
Dues, education and training	6,000	6,000	4,608	1,392
Fringe benefits	34,603	34,603	29,988	4,615
Insurance and bonding	33,000	33,000	30,764	2,236
Land and water rights	18,085	18,085	74,907	(56,822)
Meetings	18,000	18,000	18,817	(817)
Office	26,720	26,720	24,681	2,039
Payroll	207,900	207,900	178,460	29,440
Pipeline operation	584,152	584,152	307,515	276,637
Pipeline revegetation	1,000,000	1,000,000		1,000,000
Professional services	428,000	428,000	264,613	163,387
Telephone and internet	14,500	14,500	9,879	4,621
Travel	25,000	25,000	4,924	20,076
Vehicle	1,000	1,000	(360)	1,360
Donations	3,000	3,000		3,000
Conservation	25,000	25,000		25,000
Contracts expense	2,749,665	2,749,665	1,468,621	1,281,044
Water lease	29,413	29,413	29,413	-
Capital purchases	44,543	44,543	44,543	-
Water purchases			1,375,370	(1,375,370)
Total operating expenses	5,476,521	5,476,521	4,086,219	1,390,302
Operating income	2,182,479	2,182,479	3,760,180	1,577,701

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Nonoperating revenues (expenses)				
Grant revenue			52,000	52,000
Grant expenses	(48,000)	(48,000)	(154,200)	(106,200)
Interest on investments	80,000	80,000	86,614	6,614
Investment gain (loss)	(10,000)	(10,000)	(47,834)	(37,834)
Other			2,318	2,318
Debt service principal	(3,633,091)	(3,633,091)	(3,618,089)	15,002
Debt service interest	(690,488)	(690,488)	(705,489)	(15,001)
Total nonoperating revenues (expenses)	<u>(4,301,579)</u>	<u>(4,301,579)</u>	<u>(4,384,680)</u>	<u>(83,101)</u>
Change in net position	<u>\$ (2,119,100)</u>	<u>\$ (2,119,100)</u>	(624,500)	<u>\$ 1,494,600</u>
Adjustments to GAAP Basis				
Add capital purchases			44,543	
Add water purchases			1,375,370	
Add debt service principal			3,618,089	
Add contract payments			1,388,080	
Add pension and other post- employment benefit income			27,307	
Deduct contracts expense			(907,890)	
Deduct depreciation and amortization			(625,765)	
Cash basis adjustments			<u>175,489</u>	
Change in net position - GAAP Basis			4,470,723	
Net position at beginning of year			<u>54,371,401</u>	
Net position at end of year			<u>\$ 58,842,124</u>	