

Green Mountain Water and Sanitation District

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2016 and 2015



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Green Mountain Water and Sanitation District

TABLE OF CONTENTS

December 31, 2016 and 2015

Independent auditor’s report	I
Management’s Discussion and Analysis	i
Basic financial statements:	
Statements of net position.....	1
Statements of revenues, expenses, and changes in net position.....	2
Statements of cash flows	4
Notes to the financial statements	6
Required supplementary information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability and Schedule of District Contributions	25
Supplemental information:	
Schedule of revenues, expenditures, and changes in funds available - budget and actual (budgetary basis)	26
Reconciliation of actual (budgetary basis) to statement of revenues, expenses, and changes in net assets	27
Schedules of general and administrative expenses	28



Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Green Mountain Water and Sanitation District
Jefferson County, Colorado

We have audited the accompanying financial statements of Green Mountain Water and Sanitation District (the District) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Mountain Water and Sanitation District, as of December 31, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages i through v and the pension-related schedule on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis and the pension liability schedule on page 25, 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 as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Danner Higgs & Associates, PC

Lakewood, Colorado
July 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Green Mountain Water and Sanitation District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

Green Mountain Water and Sanitation District operates as a quasi-municipal corporation and political subdivision of the State of Colorado operating as a water and sewer service provider serving approximately 10,300 customers in parts of Lakewood and Jefferson County.

The District purchases its water through a Master Meter contract with the Denver Water Department, and purchases wastewater treatment services via a Special Connector agreement through Metro Wastewater Reclamation District.

The District derives its revenues from the sales of water and sewer service, and related tap and connection charges. The District prioritizes customer service and budgets funds annually for capital water and wastewater system improvements.

The District anticipates increased development within its boundaries in the areas of residential, commercial and industrial. The majority of growth will be funded by the developers of said projects.

The District remains dedicated to providing a safe, reliable water supply and safe, consistent wastewater services, and to maintaining adequate reserves for emergencies. The District has upheld its commitment to its customers through its proven track record of minimal service interruptions, no bonded indebtedness, and no property tax assessment.

Financial Highlights

- Assets of the District exceeded its liabilities at the close of the fiscal year by \$39,294,235 (net position). Of this amount, \$13,329,233 (unrestricted net position) may be used to meet the District's ongoing obligations to its citizens and creditors.
- The District's total net position increased by \$1,923,183 over the prior fiscal year.
- Operating revenues from water operations increased \$1,158,797 from the prior year, and operating revenue from sewer operations increased by \$102,818.
- Operating expenses increased \$260,545 for water operations, and increased \$216,170 for sewer operations from the prior year.
- Tap fees decreased \$4,129,999 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Effective January 1, 2015, the District and all other state and local governments throughout the nation that provide their employees with pension benefits, were required to apply GASB Statement No. 68, to their financial statements. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. Please refer to Note 6 within the Notes to Financial Statements section of this report starting on page 14.

The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA). PERA administers five separate defined benefit pension trust funds on behalf of various governmental, judicial and PK-12 public education entities.

PERA implemented GASB Statement No. 67, "Financial Reporting For Pension Plans" – a statement that impacts the administration of pension benefit plans throughout the nation. This Statement requires a financial disclosure methodology moving from the prior funding-based approach to an accounting based approach. The use of the annual required contribution (ARC) as a funding benchmark is no longer required. Instead, this philosophical shift requires the development of a plan-specific actuarially determined contribution (ADC) benchmark against which to gauge the adequacy of Colorado PERA's statutory contribution rates.

It is important to note that the District does not have a responsibility to pay the amount shown as the District's net pension liability. The District's direct liability is limited to the annually required contributions established by the State Legislature. In addition, the District does not have any control over the investment policies associated with PERA investments. These responsibilities lie solely with the PERA Board and the PERA administration. Decision regarding the plan benefit design and the funding policies lie solely with the State Legislature.

Overview of the Financial Statements

Green Mountain Water and Sanitation District's basic financial statements included in this report are those of a special purpose government engaged in a business-type activity, providing water services. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Basic Financial Statements. The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The statement reports the District's operating and non-operating revenue by source along with operating and non-operating expenses and capital contributions.

The *Statement of Cash Flows* reports the District's cash flows from operating activities, investing, capital and non-capital activities.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

A budgetary comparison statement has been provided in the *supplemental information* to demonstrate compliance with the budget.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Green Mountain Water and Sanitation District, assets exceeded liabilities by \$38,187,101 (net position) at the close of the most recent fiscal year.

Statement of Net Position

	December 31,		
	2016	2015	2014 (Restated)
Current assets	\$ 9,563,814	\$ 12,381,426	\$ 7,145,873
Noncurrent assets	6,302,272	4,048,720	4,146,154
Capital assets	25,965,002	24,639,309	24,828,778
Total assets	<u>41,831,088</u>	<u>41,069,455</u>	<u>36,120,805</u>
Deferred outflows of resources	661,880	310,513	150,258
Current liabilities	742,357	2,012,190	1,467,601
Noncurrent liabilities	2,412,112	1,996,726	1,779,637
Total liabilities	<u>3,154,469</u>	<u>4,008,916</u>	<u>3,247,238</u>
Deferred inflows of resources	44,264	-	-
Net position:			
Net investment in capital assets	24,857,868	24,639,309	24,828,778
Unrestricted	13,329,233	12,731,743	8,195,047
Net position	<u>\$ 39,294,235</u>	<u>\$ 37,371,052</u>	<u>\$ 33,023,825</u>

Unrestricted net position of \$13,329,233 is available for future expansion and major repair costs such as emergency water and sewer main breaks.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

The District has 66% of its net position invested in capital assets (e.g., water and sewer distribution systems, buildings, and equipment). The District uses these capital assets to provide services to citizens; consequently, this net position is *not* available for future spending.

Changes in Net Position

	For the Years Ended December 31,		
	2016	2015	2014 (Restated)
Revenues			
Water and sewer operations	\$ 13,039,367	\$ 11,777,752	\$ 11,338,474
Non-operating revenue			
Tap fee revenue	253,605	4,383,604	281,620
Capital reserve revenue	792,222	811,632	729,674
Capital contribution for construction of assets	1,107,134	-	-
Interest income	72,011	60,701	95,412
Other income (loss)	21,779	(325)	39,711
Total revenues	<u>15,286,118</u>	<u>17,033,364</u>	<u>12,484,891</u>
Expenses			
Water and sewer operations	9,359,702	8,788,550	8,257,505
Maintenance and repairs	221,105	182,097	183,189
Administrative and general	2,892,201	2,743,568	2,490,515
Depreciation	781,643	915,088	1,014,015
Amortization of pension related deferrals	-	11,928	-
Pension expense related adjustment	108,284	44,906	-
Total expenses	<u>13,362,935</u>	<u>12,686,137</u>	<u>11,945,224</u>
Change in net position	<u>1,923,183</u>	<u>4,347,227</u>	<u>539,667</u>
Net position - beginning	37,371,052	33,023,825	34,113,537
Restatement related to pension liability	-	-	(1,629,379)
Net position - ending	<u>\$ 39,294,235</u>	<u>\$ 37,371,052</u>	<u>\$ 33,023,825</u>

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay in addition to operations and non-operating revenue. Depreciation is not reflected in the budget since it does not affect funds available. Funds available (current assets *(including noncurrent certificates of deposit)* less current liabilities) increased \$681,826 during 2016.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Capital Assets

The District's net investment in capital assets as of December 31, 2016, 2015, and 2014 was as follows:

	Capital Assets		
	<u>2016</u>	<u>December 31, 2015</u>	<u>2014</u>
Land and improvements	\$ 271,261	\$ 271,261	\$ 271,261
Construction in progress	2,109,684	1,947,991	1,494,307
Water lines and mechanical	30,002,423	29,217,124	29,079,069
Sewer lines and mechanical	13,328,253	12,221,119	12,221,119
Office building and grounds	1,517,436	1,442,301	1,437,734
Vehicles	1,002,294	611,275	883,159
Office equipment	597,125	1,024,791	609,421
Repair and maintenance equipment	1,047,137	973,089	1,042,463
Total assets	<u>49,875,613</u>	<u>47,708,951</u>	<u>47,038,533</u>
Accumulated depreciation	<u>(23,910,611)</u>	<u>(23,069,644)</u>	<u>(22,209,755)</u>
Net capital assets	<u>\$ 25,965,002</u>	<u>\$ 24,639,307</u>	<u>\$ 24,828,778</u>

Additional information relating to the District's capital assets activity can be found in Note 4 of this report.

Economic Factors and Next Year's Budget

- The District monitors all proposed legislation along with legal counsel and Special District Association representatives. At this time, no legislation that poses significant negative impact to the District is foreseen.
- Inflation within the District is anticipated to be at or near the Denver metropolitan rate.
- The District has budgeted a 1.8% increase in water costs from Denver Water.
- \$5,640,000 has been budgeted in 2017 for capital improvements and operating equipment.
- \$4,734,386 of the ending 2016 funds available is budgeted to be used in 2017.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

District Manager
Green Mountain Water and Sanitation District
13919 West Utah Avenue
Lakewood, Colorado 80228

BASIC FINANCIAL STATEMENTS

Green Mountain Water & Sanitation District

STATEMENTS OF NET POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 421	\$ 293
Cash and cash equivalents - designated	8,437,501	11,190,261
Accounts receivable	913,559	868,674
Accrued interest receivable	15,919	19,328
Reimbursements receivable	16,283	15,086
Prepaid expenses	33,820	118,797
Inventory	146,311	168,987
Total current assets	<u>9,563,814</u>	<u>12,381,426</u>
Noncurrent assets		
Certificates of deposit - designated	6,302,272	4,048,720
Capital assets, not being depreciated	2,380,945	2,219,252
Capital assets, being depreciated, net	<u>23,584,057</u>	<u>22,420,057</u>
Total noncurrent assets	<u>32,267,274</u>	<u>28,688,029</u>
Total assets	<u>41,831,088</u>	<u>41,069,455</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflow	661,880	310,513
Total deferred outflows of resources	<u>661,880</u>	<u>310,513</u>
LIABILITIES		
Current liabilities		
Accounts payable	603,778	477,129
Retainage payable	66,693	-
Accrued payroll and compensated absences	59,023	47,981
Other current liabilities	<u>12,863</u>	<u>1,487,080</u>
Total current liabilities	<u>742,357</u>	<u>2,012,190</u>
Noncurrent liabilities		
Net pension liability	2,412,112	1,996,726
Total noncurrent liabilities	<u>2,412,112</u>	<u>1,996,726</u>
Total liabilities	3,154,469	4,008,916
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflow	44,264	-
Total deferred inflows of resources	<u>44,264</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	25,965,002	24,639,309
Unrestricted	<u>13,329,233</u>	<u>12,731,743</u>
Total net position	<u>\$ 39,294,235</u>	<u>\$ 37,371,052</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Green Mountain Water & Sanitation District
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES - WATER		
Charges for water services	\$ 9,961,037	\$ 8,820,768
Other water revenue	167,662	149,134
Total operating revenues - water	<u>10,128,699</u>	<u>8,969,902</u>
OPERATING EXPENSES - WATER		
Cost of water sold	6,715,721	6,368,452
Depreciation	558,377	689,756
Repairs and maintenance	134,286	114,867
Utilities	310,809	265,113
Cost of meters sold	5,578	26,038
Total operating expenses - water	<u>7,724,771</u>	<u>7,464,226</u>
GROSS PROFIT FROM WATER OPERATIONS	<u>2,403,928</u>	<u>1,505,676</u>
OPERATING REVENUES - SEWER		
Sewer user charges	2,898,943	2,795,300
Inspection fees	11,725	12,550
Total operating revenues - sewer	<u>2,910,668</u>	<u>2,807,850</u>
OPERATING EXPENSES - SEWER		
Sewage treatment	2,322,794	2,124,882
Depreciation	223,266	225,332
Repairs and maintenance	86,819	67,230
Utilities	4,800	4,065
Total operating expenses - sewer	<u>2,637,679</u>	<u>2,421,509</u>
GROSS PROFIT FROM SEWER OPERATIONS	<u>272,989</u>	<u>386,341</u>
GROSS PROFIT FROM WATER AND SEWER OPERATIONS	2,676,917	1,892,017
GENERAL AND ADMINISTRATIVE EXPENSES	<u>2,892,201</u>	<u>2,743,568</u>
OPERATING INCOME (LOSS)	<u>\$ (215,284)</u>	<u>\$ (851,551)</u>

(continued)

The accompanying Notes to Financial Statements are an integral part of these statements.

Green Mountain Water & Sanitation District
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2016 and 2015
(continued)

	<u>2016</u>	<u>2015</u>
OPERATING INCOME (LOSS)	\$ (215,284)	\$ (851,551)
NONOPERATING REVENUES (EXPENSES)		
Capital reserve income	792,222	811,632
System development charges (tap fees) - water	33,521	2,634,987
System development charges (tap fees) - sewer	220,084	1,748,617
Interest income	72,011	60,701
Unrealized gain (loss) on investments	22,445	(500)
Gain (loss) on disposal of assets	(666)	175
Amortization of pension related deferrals	-	(11,928)
Pension expense related adjustment	(108,284)	(44,906)
Capital contribution for construction of assets	1,107,134	-
Total nonoperating revenues (expenses)	<u>2,138,467</u>	<u>5,198,778</u>
CHANGE IN NET POSITION	1,923,183	4,347,227
NET POSITION, Beginning of year	<u>37,371,052</u>	<u>33,023,825</u>
NET POSITION, End of year	<u><u>\$ 39,294,235</u></u>	<u><u>\$ 37,371,052</u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Green Mountain Water and Sanitation District
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers - operations	\$ 12,993,285	\$ 11,784,698
Cash receipts from customers - capital reserve fund	792,222	811,632
Cash payments to suppliers of goods or services	(11,453,519)	(9,049,623)
Cash payments to employees for services	(1,967,857)	(1,844,996)
Net cash provided by operating activities	364,131	1,701,711
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Cash received from sale of assets	1,500	175
Additions to property and equipment	(1,216,182)	(974,182)
Cash received from system development fees (tap fees) - water	33,521	2,634,987
Cash received from system development fees (tap fees) - sewer	220,084	1,748,617
Net cash (used) by capital financing activities	(961,077)	3,409,597
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	75,423	59,758
Gain on change in market value from investments	22,445	-
Net redemption (purchase) of certificates of deposit	(2,253,554)	346,932
Net cash provided by investing activities	(2,155,686)	406,690
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,752,632)	5,517,998
CASH AND CASH EQUIVALENTS - Beginning of year	11,190,554	5,672,556
CASH AND CASH EQUIVALENTS - End of year	\$ 8,437,922	\$ 11,190,554
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Assets contributed by other entities	\$ 1,107,134	\$ -
Increase (decrease) in fair value of investments	\$ -	\$ (500)

(continued)

The accompanying Notes to Financial Statements are an integral part of these statements.

Green Mountain Water and Sanitation District
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015
(continued)

	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income (loss)	\$ (215,284)	\$ (851,551)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Capital reserve fees collected	792,222	811,632
Depreciation	995,455	1,163,653
(Increase) decrease in:		
Accounts receivable	(44,885)	(89,289)
Prepaid expenses	84,977	(8,970)
Reimbursements receivable	(1,197)	96,235
Inventory	22,676	35,412
Increase (decrease) in:		
Accounts payable and accrued expenses	137,691	33,953
Construction retainage	66,693	(62,851)
Other current liabilities	(1,474,217)	573,487
Net cash provided by operating activities	\$ 364,131	\$ 1,701,711

The accompanying Notes to Financial Statements are an integral part of these statements.

Green Mountain Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1 – Definition of reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in 1951 and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Jefferson County, Colorado. The District was established to provide water and sewer services to inhabitants of the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Note 2 – Summary of significant accounting policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

Basis of Accounting

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

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

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Operating revenues and expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

The District recognizes as nonoperating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The water and sewer tap fees vary depending on the size of the tap and whether it is for residential or commercial use. The water tap fees received during 2016 and 2015 were \$33,521 and \$2,634,987, respectively. The sewer tap fees were \$220,084 and \$1,748,617 for 2016 and 2015, respectively.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

Cash equivalents

For purposes of the Statements of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Investments for the District are reported at fair value.

Accounts receivable, allowance for doubtful accounts

User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Inventory

Inventory consists mainly of water meters, water meter parts, valve boxes and pipe replacement parts. Inventory is valued at the lower of cost using the first-in, first-out method or market.

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Capital assets

Capital assets include water and sewer system infrastructure, vehicles, furniture and equipment. Capital assets are defined by the District as those assets with an initial, individual cost of \$1,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs 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 capitalized. Improvements, for which the District retains title, are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Water collection, transmission and distribution system	10 to 50 years
Office furniture and other equipment	5 to 10 years
Vehicles	5 to 10 years

Compensated absences

It is the District's policy to permit employees to accumulate earned but unused vacation to a maximum of two times an employee's annual vacation time accrual, depending on length of employment. Any unpaid accumulated sick leave (maximum of six days - 48 hours), is paid to an employee upon termination and is recorded as a liability of the District. All unpaid accumulated vacation is accrued when incurred.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2016 and 2015 Statements of Net Position as follows:

	2016	2015
Cash and cash equivalents	\$ 421	\$ 293
Cash and cash equivalents - designated	8,437,501	11,190,261
Noncurrent certificates of deposit - designated	6,302,272	4,048,720
Total cash and investments	<u>\$ 14,740,194</u>	<u>\$ 15,239,274</u>

Cash and investments as of December 31, 2016 and 2015 consist of the following:

Cash on hand	\$ 421	\$ 293
Deposits with financial institutions	14,739,773	15,238,981
Total cash and investments	<u>\$ 14,740,194</u>	<u>\$ 15,239,274</u>

Deposits with financial institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2016 and 2015, the federal insurance limits were \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

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 it. The District has not adopted a deposit policy for custodial credit risk. As of December 31, 2016 and 2015, none of the District's bank balance was exposed to custodial credit risk, as amounts were either insured or collateralized.

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

At December 31, 2016 and 2015, the District's cash deposits had bank balances and carrying balances as follows:

	<u>2016</u>	<u>2015</u>
Bank balances	<u>\$ 14,740,247</u>	<u>\$ 15,226,042</u>
Carrying balances	<u>\$ 14,740,194</u>	<u>\$ 15,239,274</u>

The District carried bank balances in excess of federally insured amounts of \$13,240,247 and \$13,726,042 at December 31, 2016 and 2015, respectively. All amounts not federally insured are fully collateralized as required under the PDPA.

The District invests in certificates of deposits which are carried at cost including accrued interest. At December 31, 2016 and 2015, the District had invested in the following certificates of deposit:

<u>Maturity</u>	<u>2016</u>	<u>2015</u>
One year and less	<u>\$ 2,750,000</u>	<u>\$ 1,500,423</u>
Longer than one year	<u>3,552,272</u>	<u>2,548,297</u>
	<u>\$ 6,302,272</u>	<u>\$ 4,048,720</u>

Investments

The District has adopted a formal investment policy that adheres to state statutes regarding investments.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Fair Value Measurement and Application

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. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Note 4 – Capital assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Capital assets, not being depreciated				
Land and land improvements	\$ 271,261	\$ -	\$ -	\$ 271,261
Construction in progress				
Water lines and mechanical	1,947,991	946,992	785,299	2,109,684
Total capital assets, not being depreciated	<u>2,219,252</u>	<u>946,992</u>	<u>785,299</u>	<u>2,380,945</u>
Capital assets being depreciated				
Water lines and mechanical	29,217,124	785,299	-	30,002,423
Sewer lines and mechanical	12,221,119	1,107,134	-	13,328,253
Office building and grounds	1,442,301	77,566	2,431	1,517,436
Office equipment	611,275	19,955	34,105	597,125
Repairs and maintenance equipment	1,024,791	59,271	36,925	1,047,137
Vehicles	973,089	112,399	83,194	1,002,294
Total capital assets being depreciated	<u>45,489,699</u>	<u>2,161,624</u>	<u>156,655</u>	<u>47,494,668</u>
Less accumulated depreciation for				
Water lines and mechanical	14,098,374	558,377	-	14,656,751
Sewer lines and mechanical	6,478,060	223,266	-	6,701,326
Office building and grounds	622,487	47,025	2,431	667,081
Office equipment	416,258	52,020	32,366	435,912
Repairs and maintenance equipment	792,031	59,773	36,495	815,309
Vehicles	662,434	54,994	83,196	634,232
Total accumulated depreciation	<u>23,069,644</u>	<u>995,455</u>	<u>154,488</u>	<u>23,910,611</u>
Total capital assets being depreciated, net	<u>22,420,055</u>	<u>1,166,169</u>	<u>2,167</u>	<u>23,584,057</u>
Capital assets, net	<u>\$ 24,639,307</u>	<u>\$ 2,113,161</u>	<u>\$ 787,466</u>	<u>\$ 25,965,002</u>

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Capital asset activity for the year ended December 31, 2015 was as follows:13

	Balance at December 31, 2014	Increases	Decreases	Balance at December 31, 2015
Capital assets, not being depreciated				
Land and land improvements	\$ 271,261	\$ -	\$ -	\$ 271,261
Construction in progress				
Water lines and mechanical	1,494,307	591,739	138,055	1,947,991
Total capital assets, not being depreciated	<u>1,765,568</u>	<u>591,739</u>	<u>138,055</u>	<u>2,219,252</u>
Capital assets being depreciated				
Water lines and mechanical	29,079,069	138,055	-	29,217,124
Sewer lines and mechanical	12,221,119	-	-	12,221,119
Office building and grounds	1,437,734	4,567	-	1,442,301
Office equipment	609,421	48,440	46,586	611,275
Repairs and maintenance equipment	1,042,463	73,789	91,461	1,024,791
Vehicles	883,159	255,647	165,717	973,089
Total capital assets being depreciated	<u>45,272,965</u>	<u>520,498</u>	<u>303,764</u>	<u>45,489,699</u>
Less accumulated depreciation for				
Water lines and mechanical	13,408,618	689,756	-	14,098,374
Sewer lines and mechanical	6,252,728	225,332	-	6,478,060
Office building and grounds	575,475	47,012	-	622,487
Office equipment	408,417	54,427	46,586	416,258
Repairs and maintenance equipment	814,923	68,569	91,461	792,031
Vehicles	749,594	78,557	165,717	662,434
Total accumulated depreciation	<u>22,209,755</u>	<u>1,163,653</u>	<u>303,764</u>	<u>23,069,644</u>
Total capital assets being depreciated, net	<u>23,063,210</u>	<u>(643,155)</u>	<u>-</u>	<u>22,420,055</u>
Capital assets, net	<u>\$ 24,828,778</u>	<u>\$ (51,416)</u>	<u>\$ 138,055</u>	<u>\$ 24,639,307</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was charged to the following operations:

	2016	2015
Water	\$ 558,377	\$ 689,756
Sewer	223,266	225,332
General and administrative	213,812	248,565
	<u>\$ 995,455</u>	<u>\$ 1,163,653</u>

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Note 5 – Authorized debt

As of December 31, 2016, the District had no authorized but unissued debt.

Note 6 – Defined benefit pension plan - PERA

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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 services.
- 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 factor.

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

In all cases the retirement benefit is limited to 100 percent of the 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.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increase in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPW-W) for the calendar year.

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007, receive an annual increase of the lesser of 2 percent or the average C PI-W for the prior calendar year, not to exceed 10 percent of PERA's annual Increase Reserve for the LGDTF.

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

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

Contributions. Employers are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Employer contribution requirements, as a percentage of salary, are summarized below for the years ended December 31, 2016 and 2015:

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$160,610 and \$157,685 for the year ended December 31, 2016 and December 31, 2015 respectively.

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

At December 31, 2016, the District reported a liability of \$2,412,112 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the District's proportion was .21897% percent, which was an increase of .00271% from its proportion measured as of December 31, 2014. For the year ended December 31, 2016 the District recognized pension expense of \$268,502.

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	18,098	83
Changes in assumptions or other inputs	-	44,181
Net difference between projected and actual earnings on pension plan investments	463,360	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	19,812	-
Contributions subsequent to the measurement date	160,610	-
Total	661,880	44,264

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	-	-
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	105,117	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	47,711	-
Contributions subsequent to the measurement date	157,685	-
Total	310,513	-

The \$160,610 and \$157,685 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017 and December 31, 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Year Ended December 31,	
	2017
	2018
	2019
	2020
	2021
Total	

\$ 118,641
119,825
122,410
96,129
-
<u>\$ 457,005</u>

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. The actuarial assumptions used in December 31, 2014 valuation were based on results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

The following changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

As of the November 15, 2013 adoption of the current long-term expected rate of return by the PERA board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50 percent.

The discount rate used to measure the total pension liability was 7.50 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:

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

- 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 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. 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, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the 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 7.50 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 (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Sensitivity of the Collective 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate for the years ended December 31, 2016 and December 31, 2015:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	3,698,014	2,412,112	1,345,584

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	3,165,530	1,938,345	915,232

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

Note 7 – Postemployment healthcare benefits - PERA

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The District is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the years ending December 31, 2016 and 2015, the District's employer contributions to the HCTF were \$12,849 and \$12,684, respectively, equal to their required contributions for each year.

Note 8 – Defined contribution pension plan - PERA

Employees of the District who are members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the PERA Board of Trustees.

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports..

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 in 2016 and \$18,000 in 2015). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the years ended December 31, 2016 and 2015, there were no employer matching contributions under the Plan.

Note 9 – Intergovernmental agreements

Fossil Ridge Metropolitan District No. 1

The District entered into an Intergovernmental Agreement for Extra-Territorial Sewer Service (the Agreement) with Fossil Ridge Metropolitan District No. 1 (Fossil Ridge) on January 15, 2008. The Agreement was amended and restated on November 11, 2014. Pursuant to the Agreement, Fossil Ridge will collect wastewater from its service area and deliver the wastewater to the District for conveyance to the Metropolitan Denver Wastewater Reclamation District (Metro) for disposal. Fossil Ridge is obligated to construct a sewer system designed to accommodate a minimum of 2,925 equivalent residential units (EQR), including reserve capacity in the system. The District agrees to accept up to 1,727 EQR into the District's Wastewater Collection System through January 15, 2023. The time period may be mutually extended by additional five year periods.

All construction costs are Fossil Ridge's responsibility. Fossil Ridge will retain ownership of such sewer system and will be responsible for the maintenance, repair and replacement thereof. Fossil Ridge agrees to advance funds to the District for the actual costs incurred by the District to improve its existing sewer system in order to accept wastewater from Fossil Ridge and certain other future development.

Fossil Ridge will pay a system development fee (SDF) and a Metro connection fee to the District for each new user connected to the Fossil Ridge Sewer System. The District will rebate 50% of the SDF's collected to Fossil Ridge each month until Fossil Ridge has been reimbursed for all amounts advanced to the District for improvement costs, without interest. The maximum term of the rebates is a period of ten years. The rebates are deposited to an account used to pay construction costs. As of December 31, 2016 the balance in the account was \$63,483. The District charges Fossil Ridge a Service Fee and an Operations Fee for each EQR connected to the Fossil Ridge Sewer System quarterly, in advance, in amounts equal to 1.25 times the amounts charged to the District's customers.

The District entered into another Intergovernmental Agreement with Fossil Ridge in 2008 whereby the District will provide general maintenance and repair service to the Fossil Ridge Sewer System and potentially to Green Tree Metropolitan Districts' sewer system as part of the contemplated other future development. The District will be compensated for its service based on a Rate Schedule provided in the Agreement.

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

City and County of Denver

In 1995, The District entered into a Water Service Agreement with the City and County of Denver. Under the terms of the agreement, Denver agrees to supply all of the water necessary to serve the full development of all land within the District's service area. The District agrees to operate its water system in accordance with Denver's operation, maintenance, and quality assurance standards, and to receive Denver's approval for new installations or changes in its water distribution system. The District further agrees to supply only Denver water through its existing distribution system.

Metro Wastewater Reclamation District

The District is a "special connector" by agreement with Metro Wastewater Reclamation District (Metro), which provides the treatment of sewage collected within the District. The standard service agreement with Metro provides for annual charges to be assessed by a formula against the District on an estimated basis. Adjustments to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system.

Bear Creek Water and Sanitation District

The District has entered into agreements with Bear Creek Water and Sanitation District dated April 9, 1973, and June 12, 1989, related to the construction and maintenance of certain outfall sewer lines and the sale of outflow capacity. Under the terms of the agreements, Bear Creek Water and Sanitation District was granted the right to purchase flow capacity and ownership of certain outflow sewer lines constructed by the District. The District is responsible for the ongoing maintenance of these lines, the costs for which are shared with Bear Creek Water and Sanitation in accordance with their respective flow capacity ownership percentages.

Note 10 – Risk management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors and omissions; injuries to personnel, or natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers' compensation. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Green Mountain Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Note 11 – Tax, spending, and debt limitation

Article X, Section 20 of the Colorado constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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

On May 14, 1996, the Board of Directors established a Water Activity Enterprise in accordance with the provisions of Article 45.1, Title 37, C.R.S., in order to exclude the enterprise from the provisions of TABOR. The Enterprise is operated and maintained as a government-owned business, and manages, operates, uses, maintains, and conducts all water activities, services, and facilities of the District. The Enterprise has authority to use, operate, improve, extend, enlarge, repair, replace, acquire, dispose of, encumber, contract with respect to, and otherwise control and supervise all Water Activity facilities and property of the District, and is wholly owned by the District. The Board of Directors of the District is the Governing Board of the Enterprise.

The Enterprise does not have the power to levy or assess any tax which is subject to TABOR or direct the District to exercise its taxing powers on behalf of the Enterprise. Rates for Water Activity services and facilities provided by the Enterprise are established by the Governing Board, approved by the Board of Directors, and collected and enforced in accordance with State Law. The Enterprise Fund is established to separately account for all revenue and expenditures of the Enterprise. The Enterprise prepares an annual budget and accounts for its activities.

The District's management believes, after consultation with legal counsel, it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

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REQUIRED SUPPLEMENTARY INFORMATION

**GREEN MOUNTAIN WATER AND SANITATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	12/31/2015	12/31/2014	12/31/2013
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
District's Proportion of the Net Pension Liability	0.2190%	0.2163%	0.2090%
District's Proportionate Share of the Net Pension Liability	\$ 2,412,112	\$ 1,938,345	\$ 1,719,998
District's Covered-Employee Payroll	\$ 1,243,569	\$ 1,185,001	\$ 1,115,079
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	193.97%	163.57%	154.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.90%	80.72%	77.66%

**GREEN MOUNTAIN WATER AND SANITATION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS**

	12/31/2015	12/31/2014	12/31/2013
DISTRICT CONTRIBUTIONS			
Statutorily Required Contribution	\$ 160,610	\$ 150,258	\$ 141,392
Contributions in Relation to the Statutorily Required Contribution	\$ 160,610	150,258	141,392
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 1,266,640	\$ 1,185,001	\$ 1,115,079
Contributions as a Percentage of Covered-Employee Payroll	12.68%	12.68%	12.68%

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

SUPPLEMENTAL INFORMATION

Green Mountain Water and Sanitation District
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)

For the Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget - Favorable (Unfavorable)
REVENUES			
Water sales	\$ 6,638,079	\$ 7,092,624	\$ 454,545
Service charges	2,868,768	2,868,413	(355)
Sewer usage charges	2,611,020	2,898,943	287,923
System development charges	147,840	253,605	105,765
Inspection fees	9,000	11,725	2,725
Meter sales	-	890	890
Capital reserve revenue	688,804	792,222	103,418
Interest income	57,884	72,011	14,127
Other income	83,550	166,772	83,222
Total revenues	13,104,945	14,157,205	1,052,260
EXPENDITURES			
Cost of water sold	6,322,784	6,715,721	(392,937)
Cost of sewage treatment	2,326,235	2,322,794	3,441
Cost of meters sold and replaced	10,000	5,578	4,422
Advertising	-	530	(530)
Auto expense	134,700	64,176	70,524
Directors' fees	8,000	8,500	(500)
Employee costs, including salaries, taxes, retirement	1,990,115	1,969,847	20,268
Engineering	45,000	83,360	(38,360)
Insurance	121,687	118,391	3,296
Legal and accounting	62,000	111,991	(49,991)
Office expense	269,880	128,177	141,703
Other expense	-	1,951	(1,951)
Repairs and maintenance	354,150	367,151	(13,001)
Pumping and telemetry costs	365,550	361,029	4,521
Capital improvements - water	2,503,000	946,992	1,556,008
Capital improvements - sewer	845,375	-	845,375
Capital improvements - office building and grounds	161,000	77,566	83,434
Capital improvements - equipment and vehicles	207,025	191,625	15,400
Total expenditures	15,726,501	13,475,379	2,251,122
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,621,556)	681,826	3,303,382
BEGINNING FUNDS AVAILABLE	13,739,953	14,444,705	704,752
ENDING FUNDS AVAILABLE	\$ 11,118,397	\$ 15,126,531	\$ 4,008,134

Green Mountain Water and Sanitation District
RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2016

Revenue (budgetary basis)	\$ 14,157,205
Total revenues per Statement of Revenues, Expenses, and Changes in Net Position	14,157,205
Expenditures (budgetary basis)	13,475,379
Depreciation expense	995,455
Capital expenditures	(1,216,183)
Total expenses per Statement of Revenues, Expenses, and Changes in Net Position	13,254,651
Nonbudgeted nonoperating income (expense)	
(Loss) on disposal of assets	(666)
Gain on investments	22,445
Pension expense related adjustment	(108,284)
Capital contribution for construction of assets	1,107,134
Total nonbudgeted nonoperating income	1,020,629
Change in net position per Statement of Revenues, Expenses, and Changes in Net Position	\$ 1,923,183

Green Mountain Water and Sanitation District
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2016 and 2015

	2016	2015
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising	\$ 530	\$ 85
Accounting and audit	11,950	11,973
Automobile expenses	64,176	74,694
Continuing education, seminars, and classes	13,032	16,799
Depreciation	213,812	248,565
Directors' fees	8,500	7,166
Dues	15,716	15,696
Employee benefits	292,212	282,033
Engineering	83,360	47,793
Insurance	118,391	114,945
Legal	100,041	53,981
Maintenance agreements	97,563	105,009
Miscellaneous expense	47,515	40,093
Newsletter	4,558	6,083
Office supplies	13,825	14,894
Other expense	1,951	-
Postage	29,283	30,348
Repairs and maintenance	65,763	55,408
Retirement contributions	173,529	170,369
Salaries expense	1,391,244	1,300,106
Taxes - payroll	99,830	93,812
Utilities - office	45,420	53,716
Total general and administrative expenses	\$ 2,892,201	\$ 2,743,568