

**Green Mountain Water and Sanitation District**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**December 31, 2017 and 2016**



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**Office of the State Auditor**

July 24, 2018

**Green Mountain Water and Sanitation District**

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**December 31, 2017 and 2016**

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## 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, 2017 and 2016 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, 2017 and 2016, 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.

I

**Fiscal Focus Partners, LLC**

## **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 26 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 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.

The required pension-related schedule on pages 26 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.

### *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 requirements, and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
April 22, 2018

## 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, 2017. 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 \$39,991,480 (net position). Of this amount, \$12,058,096 (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 \$697,245 over the prior fiscal year.
- Operating revenues from water operations decreased \$104,001 from the prior year, and operating revenue from sewer operations increased by \$76,945.
- Operating expenses decreased \$219,420 for water operations, and increased \$177,222 for sewer operations from the prior year.
- Tap fees increased \$117,549 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 \$39,991,480 (net position) at the close of the most recent fiscal year.

**Statement of Net Position**

	December 31,		
	2017	2016	2015
Current assets	\$ 11,081,916	\$ 9,563,814	\$ 12,381,426
Noncurrent assets	4,051,147	6,302,272	4,048,720
Capital assets	27,933,384	25,965,002	24,639,309
Total assets	<u>43,066,447</u>	<u>41,831,088</u>	<u>41,069,455</u>
Deferred outflows of resources	<u>622,717</u>	<u>661,880</u>	<u>310,513</u>
Current liabilities	1,247,065	742,357	2,012,190
Noncurrent liabilities	2,161,545	2,412,112	1,996,726
Total liabilities	<u>3,408,610</u>	<u>3,154,469</u>	<u>4,008,916</u>
Deferred inflows of resources	<u>289,074</u>	<u>44,264</u>	<u>-</u>
Net position:			
Net investment in capital assets	27,933,384	25,965,002	24,639,309
Unrestricted	12,058,096	13,329,233	12,731,743
Net position	<u>\$ 39,991,480</u>	<u>\$ 39,294,235</u>	<u>\$ 37,371,052</u>

Unrestricted net position of \$12,058,096 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 70% 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**

	<b>For the Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Revenues			
Water and sewer operations	\$ 13,012,311	\$ 13,039,367	\$ 11,777,752
Non-operating revenue			
Tap fee revenue	371,154	253,605	4,383,604
Capital reserve revenue	721,383	792,222	811,632
Capital contribution for construction of assets	-	1,107,134	-
Interest income	116,177	72,011	60,701
Other income (loss)	34,877	21,779	(325)
Total revenues	<u>14,255,902</u>	<u>15,286,118</u>	<u>17,033,364</u>
Expenses			
Water and sewer operations	9,289,036	9,359,702	8,788,550
Maintenance and repairs	209,702	221,105	182,097
Administrative and general	3,205,000	2,892,201	2,743,568
Depreciation - operating assets	821,514	781,643	915,088
Amortization of pension related deferrals	-	-	11,928
Pension expense related adjustment	33,405	108,284	44,906
Total expenses	<u>13,558,657</u>	<u>13,362,935</u>	<u>12,686,137</u>
Change in net position	697,245	1,923,183	4,347,227
Net position - beginning	39,294,235	37,371,052	33,023,825
Net position - ending	<u>\$ 39,991,480</u>	<u>\$ 39,294,235</u>	<u>\$ 37,371,052</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) decreased \$1,278,957 during 2017.

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

**Capital Assets**

The District's net investment in capital assets as of December 31, 2017, 2016, and 2015 was as follows:

	<b>Capital Assets</b>		
	<u>2017</u>	<u>December 31, 2016</u>	<u>2015</u>
Land and improvements	\$ 271,261	\$ 271,261	\$ 271,261
Construction in progress	4,210,306	2,109,684	1,947,991
Water lines and mechanical	30,317,796	30,002,423	29,217,124
Sewer lines and mechanical	13,752,718	13,328,253	12,221,119
Office building and grounds	1,512,169	1,517,436	1,442,301
Vehicles	1,051,327	1,002,294	611,275
Office equipment	575,234	597,125	1,024,791
Repair and maintenance equipment	910,230	1,047,137	973,089
Total assets	<u>52,601,041</u>	<u>49,875,613</u>	<u>47,708,951</u>
Accumulated depreciation	<u>(24,667,657)</u>	<u>(23,910,611)</u>	<u>(23,069,644)</u>
Net capital assets	<u>\$ 27,933,384</u>	<u>\$ 25,965,002</u>	<u>\$ 24,639,307</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 2.2% increase in water costs from Denver Water.
- \$6,203,000 has been budgeted in 2018 for capital improvements and operating equipment.
- \$4,492,978 of the ending 2017 funds available is budgeted to be used in 2018.

**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, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 573	\$ 421
Cash and cash equivalents - designated	5,993,070	8,437,501
Investments	3,875,344	-
Accounts receivable	856,146	913,559
Accrued interest receivable	21,832	15,919
Reimbursements receivable	10,685	16,283
Prepaid expenses	145,699	33,820
Inventory	178,567	146,311
<b>Total current assets</b>	<b>11,081,916</b>	<b>9,563,814</b>
<b>Noncurrent assets</b>		
Certificates of deposit - designated	4,051,147	6,302,272
Capital assets, not being depreciated	4,481,567	2,380,945
Capital assets, being depreciated, net	23,451,817	23,584,057
<b>Total noncurrent assets</b>	<b>31,984,531</b>	<b>32,267,274</b>
<b>Total assets</b>	<b>43,066,447</b>	<b>41,831,088</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflow	622,717	661,880
<b>Total deferred outflows of resources</b>	<b>622,717</b>	<b>661,880</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	801,723	603,778
Retainage payable	172,955	66,693
Accrued payroll and compensated absences	76,163	59,023
Other current liabilities	196,224	12,863
<b>Total current liabilities</b>	<b>1,247,065</b>	<b>742,357</b>
<b>Noncurrent liabilities</b>		
Net pension liability	2,161,545	2,412,112
<b>Total noncurrent liabilities</b>	<b>2,161,545</b>	<b>2,412,112</b>
<b>Total liabilities</b>	<b>3,408,610</b>	<b>3,154,469</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferred inflow	289,074	44,264
<b>Total deferred inflows of resources</b>	<b>289,074</b>	<b>44,264</b>
<b>NET POSITION</b>		
Net investment in capital assets	27,933,384	25,965,002
Unrestricted	12,058,096	13,329,233
<b>Total net position</b>	<b>\$ 39,991,480</b>	<b>\$ 39,294,235</b>

*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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES - WATER</b>		
Charges for water services	\$ 9,920,659	\$ 9,961,037
Other water revenue	104,039	167,662
<b>Total operating revenues - water</b>	<u>10,024,698</u>	<u>10,128,699</u>
<b>OPERATING EXPENSES - WATER</b>		
Cost of water sold	6,560,028	6,715,721
Depreciation	574,942	558,377
Repairs and maintenance	90,584	134,286
Utilities	259,970	310,809
Cost of meters sold	19,827	5,578
<b>Total operating expenses - water</b>	<u>7,505,351</u>	<u>7,724,771</u>
<b>GROSS PROFIT FROM WATER OPERATIONS</b>	<u>2,519,347</u>	<u>2,403,928</u>
<b>OPERATING REVENUES - SEWER</b>		
Sewer user charges	2,977,243	2,898,943
Inspection fees	10,370	11,725
<b>Total operating revenues - sewer</b>	<u>2,987,613</u>	<u>2,910,668</u>
<b>OPERATING EXPENSES - SEWER</b>		
Sewage treatment	2,444,741	2,322,794
Depreciation	246,572	223,266
Repairs and maintenance	119,118	86,819
Utilities	4,470	4,800
<b>Total operating expenses - sewer</b>	<u>2,814,901</u>	<u>2,637,679</u>
<b>GROSS PROFIT FROM SEWER OPERATIONS</b>	<u>172,712</u>	<u>272,989</u>
<b>GROSS PROFIT FROM WATER AND SEWER OPERATIONS</b>	2,692,059	2,676,917
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>3,205,000</u>	<u>2,892,201</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ (512,941)</u>	<u>\$ (215,284)</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, 2017 and 2016**  
**(continued)**

	<u>2017</u>	<u>2016</u>
<b>OPERATING INCOME (LOSS)</b>	\$ (512,941)	\$ (215,284)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Capital reserve income	721,383	792,222
System development charges (tap fees) - water	161,565	33,521
System development charges (tap fees) - sewer	209,589	220,084
Interest income	116,177	72,011
Unrealized gain (loss) on investments	41,226	22,445
Gain (loss) on disposal of assets	(6,349)	(666)
Pension expense related adjustment	(33,405)	(108,284)
Capital contribution for construction of assets	-	1,107,134
<b>Total nonoperating revenues (expenses)</b>	<u>1,210,186</u>	<u>2,138,467</u>
<b>CHANGE IN NET POSITION</b>	697,245	1,923,183
<b>NET POSITION, Beginning of year</b>	<u>39,294,235</u>	<u>37,371,052</u>
<b>NET POSITION, End of year</b>	<u>\$ 39,991,480</u>	<u>\$ 39,294,235</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, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers - operations	\$ 13,075,322	\$ 12,993,285
Cash receipts from customers - capital reserve fund	721,383	792,222
Cash payments to suppliers of goods or services	(9,985,233)	(11,453,519)
Cash payments to employees for services	(2,168,922)	(1,967,857)
<b>Net cash provided by operating activities</b>	<b>1,642,550</b>	<b>364,131</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Cash received from sale of assets	-	1,500
Additions to property and equipment	(2,985,253)	(1,216,182)
Cash received from system development fees (tap fees) - water	161,565	33,521
Cash received from system development fees (tap fees) - sewer	209,589	220,084
<b>Net cash (used) by capital financing activities</b>	<b>(2,614,099)</b>	<b>(961,077)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received from investments	110,263	75,423
Gain on change in market value from investments	41,226	22,445
Net redemption (purchase) of investments	(1,624,219)	(2,253,554)
<b>Net cash provided (used) by investing activities</b>	<b>(1,472,730)</b>	<b>(2,155,686)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,444,279)</b>	<b>(2,752,632)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>8,437,922</b>	<b>11,190,554</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 5,993,643</b>	<b>\$ 8,437,922</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Assets contributed by other entities	\$ -	\$ 1,107,134
Increase (decrease) in fair value of investments	\$ -	\$ -

(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, 2017 and 2016  
(continued)

	<b>2017</b>	<b>2016</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income (loss)	\$ (512,941)	\$ (215,284)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Capital reserve fees collected	721,383	792,222
Depreciation	1,010,524	995,455
(Increase) decrease in:		
Accounts receivable	57,413	(44,885)
Prepaid expenses	(111,879)	84,977
Reimbursements receivable	5,598	(1,197)
Inventory	(32,256)	22,676
Increase (decrease) in:		
Accounts payable and accrued expenses	215,085	137,691
Construction retainage	106,262	66,693
Other current liabilities	183,361	(1,474,217)
<b>Net cash provided by operating activities</b>	<b>\$ 1,642,550</b>	<b>\$ 364,131</b>

*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, 2017 and 2016

#### **Note 1 – Definition of reporting entity**

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in 1952 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, 2017 and 2016**

**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 2017 and 2016 were \$161,565 and \$33,521, respectively. The sewer tap fees were \$209,589 and \$220,084 for 2017 and 2016, 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.

**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, 2017 and 2016**

**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, 2017 and 2016**

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2017 and 2016 Statements of Net Position as follows:

	2017	2016
Cash and cash equivalents	\$ 573	\$ 421
Cash and cash equivalents - designated	5,993,070	8,437,501
Investments	3,875,344	-
Certificates of deposit - designated	4,051,147	6,302,272
Total cash and investments	<u>\$ 13,920,134</u>	<u>\$ 14,740,194</u>

Cash and investments as of December 31, 2017 and 2016 consist of the following:

Cash on hand	\$ 573	\$ 421
Deposits with financial institutions	10,044,217	14,739,773
Investments	3,875,344	-
Total cash and investments	<u>\$ 13,920,134</u>	<u>\$ 14,740,194</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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016**

At December 31, 2017 and 2016, the District's cash deposits had bank balances and carrying balances as follows:

	<u>2017</u>	<u>2016</u>
Bank balances	<u>\$ 10,021,105</u>	<u>\$ 14,740,247</u>
Carrying balances	<u>\$ 10,044,790</u>	<u>\$ 14,740,194</u>

The District carried bank balances in excess of federally insured amounts of \$8,771,105 and \$13,240,247 at December 31, 2017 and 2016, 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, 2017 and 2016, the District had invested in the following certificates of deposit:

<u>Maturity</u>	<u>2017</u>	<u>2016</u>
One year and less	\$ 1,000,000	\$ 2,750,000
Longer than one year	<u>3,051,147</u>	<u>3,552,272</u>
	<u>\$ 4,051,147</u>	<u>\$ 6,302,272</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, 2017 and 2016**

As of December 31, 2017 the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Amount</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 3,875,344</u>

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CASFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

**Note 4 – Capital assets**

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

	Balance at December 31, 2016	Increases	Decreases	Balance at December 31, 2017
Capital assets, not being depreciated				
Land and land improvements	\$ 271,261	\$ -	\$ -	\$ 271,261
Construction in progress				
Water lines and mechanical	2,109,684	2,840,460	739,838	4,210,306
Total capital assets, not being depreciated	<u>2,380,945</u>	<u>2,840,460</u>	<u>739,838</u>	<u>4,481,567</u>
Capital assets being depreciated				
Water lines and mechanical	30,002,423	315,373	-	30,317,796
Sewer lines and mechanical	13,328,253	424,465	-	13,752,718
Office building and grounds	1,517,436	-	5,267	1,512,169
Office equipment	597,125	31,835	53,726	575,234
Repairs and maintenance equipment	1,047,137	11,964	148,871	910,230
Vehicles	1,002,294	100,994	51,961	1,051,327
Total capital assets being depreciated	<u>47,494,668</u>	<u>884,631</u>	<u>259,825</u>	<u>48,119,474</u>
Less accumulated depreciation for				
Water lines and mechanical	14,656,751	574,942	-	15,231,693
Sewer lines and mechanical	6,701,326	246,572	-	6,947,898
Office building and grounds	667,081	46,860	5,270	708,671
Office equipment	435,912	46,248	47,848	434,312
Repairs and maintenance equipment	815,309	44,451	148,399	711,361
Vehicles	634,232	51,451	51,961	633,722
Total accumulated depreciation	<u>23,910,611</u>	<u>1,010,524</u>	<u>253,478</u>	<u>24,667,657</u>
Total capital assets being depreciated, net	<u>23,584,057</u>	<u>(125,893)</u>	<u>6,347</u>	<u>23,451,817</u>
Capital assets, net	<u>\$ 25,965,002</u>	<u>\$ 2,714,567</u>	<u>\$ 746,185</u>	<u>\$ 27,933,384</u>

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

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>

Depreciation expense for the years ended December 31, 2017 and 2016 was charged to the following operations:

	2017	2016
Water	\$ 574,942	\$ 558,377
Sewer	246,572	223,266
General and administrative	189,010	213,812
	<u>\$ 1,010,524</u>	<u>\$ 995,455</u>

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

**Note 5 – Authorized debt**

As of December 31, 2017, the District had no authorized but unissued debt.

**Note 6 – Defined benefit pension plan - PERA**

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

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

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

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

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

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

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

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.

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

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

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer Contribution Rate <sup>1</sup>	10.00%	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the LGDTF <sup>1</sup>	8.98%	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	1.50%	1.50%
Total Employer Contribution Rate to the LGDTF <sup>1</sup>	12.68%	12.68%

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$168,876 and \$160,610 for the years ended December 31, 2017 and December 31, 2016 respectively.

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

At December 31, 2017, the District reported a liability of \$2,161,545 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015.

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 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the District's proportion was .16007 percent, which was a decrease of .05889 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017 the District recognized pension expense of \$203,269.

At December 31, 2017, 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, 2017 and 2016**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	38,466	-
Changes of assumptions or other inputs	153,322	6,251
Net difference between projected and actual earnings on pension plan investments	259,592	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,461	282,823
Contributions subsequent to the measurement date	168,876	-
<b>Total</b>	<b>622,717</b>	<b>289,074</b>

At December 31, 2016, 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	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	-
<b>Total</b>	<b>661,880</b>	<b>44,264</b>

\$168,876 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, 2018. 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, 2017 and 2016**

Year Ended December 31,		
2018	\$	8,863
2019		80,696
2020		72,739
2021		2,469
2022		-
Thereafter		-
Total		<u>\$ 164,767</u>

*Actuarial assumptions.* Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry Age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; 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 used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in December 31, 2015 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 13, 2012, and an economic assumption study, adopted by PERA's board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates,

## Green Mountain Water and Sanitation District

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017 and 2016

administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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 applied to female rates.

Healthy, post-retirement mortality assumptions reflect 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.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

target asset allocation percentage and then adding expected inflation. As of the November 18, 2016 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:

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

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

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

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the 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 and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

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

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 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. As of the prior measurement date, the GASB Statement No. 67 projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent.

*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 one-percentage-point lower (6.25 percent) or one-percentage-point higher (8.25 percent) than the current rate for the years ended December 31, 2017 and December 31, 2016:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	3,187,100	2,161,545	1,312,274

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

	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

\*For the year ended December 31, 2016, a discount rate of 7.50 percent was used. Table outlines proportionate share using a discount rate that is one percentage-point-lower (6.50%) or one-percentage-point higher (8.50%) than the rate used for the year ended December 31, 2016.

*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](http://www.copera.org/investments/pera-financial-reports).

**Note 7 – Postemployment healthcare benefits - PERA**

*Plan Description:* The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer health care trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S, as amended, establishes the HCTF and 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy:* The District is required to contribute at a rate of 1.02% of PERA-includable 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 C.R.S, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S, as amended. For the years ending December 31, 2017, December 31, 2016, and December 31, 2015, the District's contributions to the HCTF was \$13,585, \$12,849 and \$12,684, respectively, equal to their required contribution 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. 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](http://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 2017 and \$18,000 in 2016). The contribution requirements for the District

## Green Mountain Water and Sanitation District

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017 and 2016

are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the years ended December 31, 2017 and 2016, 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, 2017 the balance in the account was \$130,737. 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.

##### 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

## Green Mountain Water and Sanitation District

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017 and 2016

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, 2017. 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.

#### **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.

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2017 and 2016**

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.

\* \* \* \* \*

**REQUIRED SUPPLEMENTAL INFORMATION**

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

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
District's Proportion of the Net Pension Liability	0.1601%	0.2190%	0.2163%	0.2090%
District's Proportionate Share of the Net Pension Liability	\$ 2,161,545	\$ 2,412,112	\$ 1,938,345	\$ 1,719,998
District's Covered Payroll	\$ 1,266,640	\$ 1,243,569	\$ 1,185,001	\$ 1,115,079
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	170.65%	193.97%	163.57%	154.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.60%	76.90%	80.72%	77.66%

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

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
DISTRICT CONTRIBUTIONS					
Contractually Required Contribution	\$ 168,876	\$ 160,610	\$ 157,685	\$ 150,258	\$ 141,392
Contributions in Relation to the Contractually Required Contribution	\$ 168,876	\$ 160,610	157,685	150,258	141,392
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,331,835	\$ 1,266,640	\$ 1,243,569	\$ 1,185,001	\$ 1,115,079
Contributions as a Percentage of Covered Payroll	12.68%	12.68%	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, 2017

	<b>Original and Final Budgeted Amounts</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget - Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Water sales	\$ 6,778,809	\$ 6,882,456	\$ 103,647
Service charges	3,010,214	3,038,203	27,989
Sewer usage charges	2,699,224	2,977,243	278,019
System development charges	86,240	371,154	284,914
Inspection fees	5,250	10,370	5,120
Meter sales	-	11,636	11,636
Capital reserve revenue	701,547	721,383	19,836
Interest income	76,907	116,177	39,270
Other income	87,050	92,403	5,353
<b>Total revenues</b>	<b>13,445,241</b>	<b>14,221,025</b>	<b>775,784</b>
<b>EXPENDITURES</b>			
Cost of water sold	6,438,453	6,560,028	(121,575)
Cost of sewage treatment	2,446,309	2,444,741	1,568
Cost of meters sold and replaced	15,000	19,827	(4,827)
Advertising	-	115	(115)
Auto expense	106,070	88,247	17,823
Directors' fees	8,000	8,100	(100)
Election expense	-	38,972	(38,972)
Employee costs, including salaries, taxes, retirement	2,260,938	2,167,605	93,333
Engineering	50,000	80,682	(30,682)
Insurance	127,927	117,817	10,110
Legal and accounting	77,000	160,036	(83,036)
Office expense	316,280	130,333	185,947
Other expense	-	1,000	(1,000)
Repairs and maintenance	325,900	394,355	(68,455)
Pumping and telemetry costs	367,750	302,870	64,880
Capital improvements - water	3,231,000	2,671,796	559,204
Capital improvements - sewer	325,000	138,857	186,143
Capital improvements - office building and grounds	1,587,000	61,643	1,525,357
Capital improvements - equipment and vehicles	147,000	112,958	34,042
Capital contingency	350,000	-	350,000
<b>Total expenditures</b>	<b>18,179,627</b>	<b>15,499,982</b>	<b>2,679,645</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,734,386)</b>	<b>(1,278,957)</b>	<b>3,455,429</b>
<b>BEGINNING FUNDS AVAILABLE</b>	<b>14,638,759</b>	<b>15,126,531</b>	<b>487,772</b>
<b>ENDING FUNDS AVAILABLE</b>	<b>\$ 9,904,373</b>	<b>\$ 13,847,574</b>	<b>\$ 3,943,201</b>

**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, 2017**

<b>Revenue (budgetary basis)</b>	\$ 14,221,025
Total revenues per Statement of Revenues, Expenses, and Changes in Net Position	14,221,025
<b>Expenditures (budgetary basis)</b>	15,499,982
Depreciation expense	1,010,524
Capital expenditures	(2,985,254)
Total expenses per Statement of Revenues, Expenses, and Changes in Net Position	13,525,252
<b>Nonbudgeted nonoperating income (expense)</b>	
(Loss) on disposal of assets	(6,349)
Gain on investments	41,226
Pension expense related adjustment	(33,405)
Total nonbudgeted nonoperating income	1,472
Change in net position per Statement of Revenues, Expenses, and Changes in Net Position	\$ 697,245

**Green Mountain Water and Sanitation District**  
**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**For the Years Ended December 31, 2017 and 2016**

	2017	2016
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising	\$ 115	\$ 530
Accounting and audit	11,950	11,950
Automobile expenses	88,247	64,176
Continuing education, seminars, and classes	15,823	13,032
Depreciation	189,010	213,812
Directors' fees	8,100	8,500
Dues	13,139	15,716
Elections	38,972	-
Employee benefits	331,096	292,212
Engineering	80,682	83,360
Insurance	117,817	118,391
Legal	148,086	100,041
Maintenance agreements	142,646	97,563
Miscellaneous expense	71,975	47,515
Newsletter	1,865	4,558
Office supplies	10,055	13,825
Other expense	1,000	1,951
Postage	28,332	29,283
Repairs and maintenance	46,974	65,763
Retirement contributions	182,461	173,529
Salaries expense	1,520,827	1,391,244
Taxes - payroll	117,398	99,830
Utilities - office	38,430	45,420
<b>Total general and administrative expenses</b>	<b>\$ 3,205,000</b>	<b>\$ 2,892,201</b>