

**Green Mountain Water and Sanitation District**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**December 31, 2018 and 2017**

**Green Mountain Water and Sanitation District**

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**December 31, 2018 and 2017**

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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, 2018 and 2017 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, 2018 and 2017, 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 and OPEB schedules on pages 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
July 15, 2019

## 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, 2018. 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 \$42,256,660 (net position). Of this amount, \$13,079,561 (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 \$2,410,860 over the prior fiscal year.
- Operating revenues from water operations increased \$176,942 from the prior year, and operating revenue from sewer operations increased by \$81,031.
- Operating expenses increased \$534,934 for water operations, and increased \$90,695 for sewer operations from the prior year.
- Tap fees increased \$1,862,542 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 \$42,256,660 (net position) at the close of the most recent fiscal year.

**Statement of Net Position**

	December 31,		
	2018	2017	2016
Current assets	\$ 14,095,431	\$ 11,081,916	\$ 9,563,814
Noncurrent assets	2,061,247	4,051,147	6,302,272
Capital assets	29,177,099	27,933,384	25,965,002
Total assets	<u>45,333,777</u>	<u>43,066,447</u>	<u>41,831,088</u>
Deferred outflows of resources	<u>760,501</u>	<u>636,302</u>	<u>661,880</u>
Current liabilities	653,930	1,247,065	742,357
Noncurrent liabilities	2,669,502	2,320,810	2,412,112
Total liabilities	<u>3,323,432</u>	<u>3,567,875</u>	<u>3,154,469</u>
Deferred inflows of resources	<u>514,186</u>	<u>289,074</u>	<u>44,264</u>
Net position:			
Net investment in capital assets	29,177,099	27,933,384	25,965,002
Unrestricted	13,079,561	11,912,416	13,329,233
Net position	<u>\$ 42,256,660</u>	<u>\$ 39,845,800</u>	<u>\$ 39,294,235</u>

Unrestricted net position of \$13,079,561 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 69% 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>2018</b>	<b>2017</b>	<b>2016</b>
Revenues			
Water and sewer operations	\$ 13,270,284	\$ 13,012,311	\$ 13,039,367
Non-operating revenue			
Tap fee revenue	2,233,696	371,154	253,605
Capital reserve revenue	1,272,112	721,383	792,222
Capital contribution for construction of assets	-	-	1,107,134
Interest income	277,536	116,177	72,011
Other income (loss)	(52,687)	34,877	21,779
Total revenues	<u>17,000,941</u>	<u>14,255,902</u>	<u>15,286,118</u>
Expenses			
Water and sewer operations	9,897,851	9,289,036	9,359,702
Maintenance and repairs	202,560	209,702	221,105
Administrative and general	3,194,595	3,205,000	2,892,201
Depreciation - operating assets	845,470	821,514	781,643
OPEB expense related adjustment	13,045	145,680	-
Pension expense related adjustment	436,560	33,405	108,284
Total expenses	<u>14,590,081</u>	<u>13,704,337</u>	<u>13,362,935</u>
Change in net position	2,410,860	551,565	1,923,183
Net position - beginning	39,845,800	39,294,235	37,371,052
Net position - ending	<u>\$ 42,256,660</u>	<u>\$ 39,845,800</u>	<u>\$ 39,294,235</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 \$1,639,024 during 2018 primarily as a result of additional revenue from tap fees.

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

**Capital Assets**

The District's net investment in capital assets as of December 31, 2018, 2017, and 2016 was as follows:

	<b>Capital Assets</b>		
	<u>2018</u>	<u>December 31, 2017</u>	<u>2016</u>
Land and improvements	\$ 271,261	\$ 271,261	\$ 271,261
Construction in progress	2,804,452	4,210,306	2,109,684
Water lines and mechanical	33,428,818	30,317,796	30,002,423
Sewer lines and mechanical	13,956,530	13,752,718	13,328,253
Office building and grounds	1,496,656	1,512,169	1,517,436
Vehicles	1,170,388	1,051,327	1,002,294
Office equipment	610,014	575,234	597,125
Repair and maintenance equipment	873,200	910,230	1,047,137
Total assets	<u>54,611,319</u>	<u>52,601,041</u>	<u>49,875,613</u>
Accumulated depreciation	<u>(25,434,220)</u>	<u>(24,667,657)</u>	<u>(23,910,611)</u>
Net capital assets	<u>\$ 29,177,099</u>	<u>\$ 27,933,384</u>	<u>\$ 25,965,002</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 6.3% increase in water costs from Denver Water.
- \$6,092,350 has been budgeted in 2019 for capital improvements and operating equipment.
- \$3,992,925 of the ending 2018 funds available is budgeted to be used in 2019.

**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, 2018 and 2017

	<u>2018</u>	<u>2017</u> <u>Restated</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 669	\$ 573
Cash and cash equivalents - designated	3,629,210	5,993,070
Investments	9,189,633	3,875,344
Accounts receivable	942,563	856,146
Other receivable	17,056	-
Accrued interest receivable	28,128	21,832
Reimbursements receivable	14,704	10,685
Prepaid expenses	83,968	145,699
Inventory	189,500	178,567
<b>Total current assets</b>	<u>14,095,431</u>	<u>11,081,916</u>
<b>Noncurrent assets</b>		
Certificates of deposit - designated	2,061,247	4,051,147
Capital assets, not being depreciated	3,075,713	4,481,567
Capital assets, being depreciated, net	26,101,386	23,451,817
<b>Total noncurrent assets</b>	<u>31,238,346</u>	<u>31,984,531</u>
<b>Total assets</b>	<u>45,333,777</u>	<u>43,066,447</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflow	693,529	622,717
OPEB related deferred outflow	66,972	13,585
<b>Total deferred outflows of resources</b>	<u>760,501</u>	<u>636,302</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	563,389	801,723
Retainage payable	4,965	172,955
Accrued payroll and compensated absences	84,976	76,163
Other current liabilities	600	196,224
<b>Total current liabilities</b>	<u>653,930</u>	<u>1,247,065</u>
<b>Noncurrent liabilities</b>		
Net pension liability	2,447,519	2,161,545
Net OPEB liability	221,983	159,265
<b>Total noncurrent liabilities</b>	<u>2,669,502</u>	<u>2,320,810</u>
<b>Total liabilities</b>	<u>3,323,432</u>	<u>3,567,875</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferred inflow	510,472	289,074
OPEB related deferred inflow	3,714	-
<b>Total deferred inflows of resources</b>	<u>514,186</u>	<u>289,074</u>
<b>NET POSITION</b>		
Net investment in capital assets	29,177,099	27,933,384
Unrestricted	13,079,561	11,912,416
<b>Total net position</b>	<u>\$ 42,256,660</u>	<u>\$ 39,845,800</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, 2018 and 2017**

	<b>2018</b>	<b>Restated 2017</b>
<b>OPERATING REVENUES - WATER</b>		
Charges for water services	\$ 10,065,474	\$ 9,920,659
Other water revenue	136,166	104,039
<b>Total operating revenues - water</b>	<b>10,201,640</b>	<b>10,024,698</b>
<b>OPERATING EXPENSES - WATER</b>		
Cost of water sold	7,013,102	6,560,028
Depreciation	593,234	574,942
Repairs and maintenance	121,532	90,584
Utilities	276,192	259,970
Cost of meters sold	36,225	19,827
<b>Total operating expenses - water</b>	<b>8,040,285</b>	<b>7,505,351</b>
<b>GROSS PROFIT FROM WATER OPERATIONS</b>	<b>2,161,355</b>	<b>2,519,347</b>
<b>OPERATING REVENUES - SEWER</b>		
Sewer user charges	3,062,254	2,977,243
Inspection fees	6,390	10,370
<b>Total operating revenues - sewer</b>	<b>3,068,644</b>	<b>2,987,613</b>
<b>OPERATING EXPENSES - SEWER</b>		
Sewage treatment	2,568,419	2,444,741
Depreciation	252,236	246,572
Repairs and maintenance	81,028	119,118
Utilities	3,913	4,470
<b>Total operating expenses - sewer</b>	<b>2,905,596</b>	<b>2,814,901</b>
<b>GROSS PROFIT FROM SEWER OPERATIONS</b>	<b>163,048</b>	<b>172,712</b>
<b>GROSS PROFIT FROM WATER AND SEWER OPERATIONS</b>	<b>2,324,403</b>	<b>2,692,059</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>3,194,595</b>	<b>3,205,000</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (870,192)</b>	<b>\$ (512,941)</b>

(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, 2018 and 2017  
(continued)

	<b>2018</b>	<b>Restated 2017</b>
<b>OPERATING INCOME (LOSS)</b>	\$ (870,192)	\$ (512,941)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Capital reserve income	1,272,112	721,383
System development charges (tap fees) - water	1,338,683	161,565
System development charges (tap fees) - sewer	895,013	209,589
Interest income	277,536	116,177
Realized gain (loss) on investments	(22,274)	-
Unrealized gain (loss) on investments	-	41,226
Gain (loss) on disposal of assets	(30,413)	(6,349)
Pension expense related adjustment	(436,560)	(33,405)
OPEB expense related adjustment	(13,045)	-
<b>Total nonoperating revenues (expenses)</b>	<b>3,281,052</b>	<b>1,210,186</b>
<b>CHANGE IN NET POSITION</b>	2,410,860	697,245
<b>NET POSITION, Beginning of year</b>	39,845,800	39,294,235
Restatement related to OPEB liability	-	(145,680)
<b>NET POSITION, End of year</b>	<b>\$ 42,256,660</b>	<b>\$ 39,845,800</b>

*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, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers - operations	\$ 13,162,792	\$ 13,075,322
Cash receipts from customers - capital reserve fund	1,272,112	721,383
Cash payments to suppliers of goods or services	(11,539,956)	(9,985,233)
Cash payments to employees for services	(2,062,817)	(2,168,922)
<b>Net cash provided by operating activities</b>	<b>832,131</b>	<b>1,642,550</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Additions to property and equipment	(2,354,168)	(2,985,253)
Cash received from system development fees (tap fees) - water	1,338,683	161,565
Cash received from system development fees (tap fees) - sewer	895,013	209,589
<b>Net cash (used) by capital financing activities</b>	<b>(120,472)</b>	<b>(2,614,099)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received from investments	271,240	110,263
Gain on change in market value from investments	-	41,226
Net redemption (purchase) of investments	(3,346,663)	(1,624,219)
<b>Net cash provided (used) by investing activities</b>	<b>(3,075,423)</b>	<b>(1,472,730)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,363,764)</b>	<b>(2,444,279)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>5,993,643</b>	<b>8,437,922</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 3,629,879</b>	<b>\$ 5,993,643</b>

(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, 2018 and 2017  
(continued)

	<b>2018</b>	<b>2017</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income (loss)	\$ (870,192)	\$ (512,941)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Capital reserve fees collected	1,272,112	721,383
Depreciation	1,080,040	1,010,524
(Increase) decrease in:		
Accounts receivable	(86,417)	57,413
Other receivable	(17,056)	
Prepaid expenses	61,731	(111,879)
Reimbursements receivable	(4,019)	5,598
Inventory	(10,933)	(32,256)
Increase (decrease) in:		
Accounts payable and accrued expenses	(229,521)	215,085
Construction retainage	(167,990)	106,262
Other current liabilities	(195,624)	183,361
<b>Net cash provided by operating activities</b>	<b>\$ 832,131</b>	<b>\$ 1,642,550</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, 2018 and 2017

#### **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, 2018 and 2017**

**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 2018 and 2017 were \$1,338,683 and \$161,565, respectively. The sewer tap fees were \$895,013 and \$209,589 for 2018 and 2017, 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, 2018 and 2017**

**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 paid time off to a maximum of 43 days, depending on length of employment. All unpaid accumulated vacation is accrued when incurred. At the end of each year, employees may elect to be paid a maximum of 6 days in lieu of taking time off or carrying time forward in the following year.

**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.

**Postemployment benefits other than pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2018 and 2017 Statements of Net Position as follows:

	2018	2017
Cash and cash equivalents	\$ 669	\$ 573
Cash and cash equivalents - designated	3,629,210	5,993,070
Investments	9,189,633	3,875,344
Certificates of deposit - designated	2,061,247	4,051,147
Total cash and investments	<u>\$ 14,880,759</u>	<u>\$ 13,920,134</u>

Cash and investments as of December 31, 2018 and 2017 consist of the following:

Cash on hand	\$ 669	\$ 573
Deposits with financial institutions	5,690,457	10,044,217
Investments	9,189,633	3,875,344
Total cash and investments	<u>\$ 14,880,759</u>	<u>\$ 13,920,134</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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017**

At December 31, 2018 and 2017, the District's cash deposits had bank balances and carrying balances as follows:

	<u>2018</u>	<u>2017</u>
Bank balances	<u>\$ 5,680,775</u>	<u>\$ 10,021,105</u>
Carrying balances	<u>\$ 5,690,457</u>	<u>\$ 10,044,790</u>

The District carried bank balances in excess of federally insured amounts of \$4,930,775 and \$8,771,105 at December 31, 2018 and 2017, 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, 2018 and 2017, the District had invested in the following certificates of deposit:

<u>Maturity</u>	<u>2018</u>	<u>2017</u>
One year and less	\$ 250,000	\$ 1,000,000
Longer than one year	<u>1,811,247</u>	<u>3,051,147</u>
	<u>\$ 2,061,247</u>	<u>\$ 4,051,147</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, 2018 and 2017**

As of December 31, 2018 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>\$ 9,189,633</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 at net value 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, 2018 and 2017**

**Note 4 – Capital assets**

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

	Balance at December 31, 2017	Increases	Decreases	Balance at December 31, 2018
Capital assets, not being depreciated				
Land and land improvements	\$ 271,261	\$ -	\$ -	\$ 271,261
Construction in progress				
Water lines and mechanical	4,210,306	1,908,980	3,314,834	2,804,452
Total capital assets, not being depreciated	4,481,567	1,908,980	3,314,834	3,075,713
Capital assets being depreciated				
Water lines and mechanical	30,317,796	3,111,022	-	33,428,818
Sewer lines and mechanical	13,752,718	203,812	-	13,956,530
Office building and grounds	1,512,169	-	15,513	1,496,656
Office equipment	575,234	48,456	13,676	610,014
Repairs and maintenance equipment	910,230	12,442	49,472	873,200
Vehicles	1,051,327	384,290	265,229	1,170,388
Total capital assets being depreciated	48,119,474	3,760,022	343,890	51,535,606
Less accumulated depreciation for				
Water lines and mechanical	15,231,693	593,234	-	15,824,927
Sewer lines and mechanical	6,947,898	252,236	-	7,200,134
Office building and grounds	708,671	45,944	15,513	739,102
Office equipment	434,312	47,475	12,071	469,716
Repairs and maintenance equipment	711,361	37,959	20,664	728,656
Vehicles	633,722	103,192	265,229	471,685
Total accumulated depreciation	24,667,657	1,080,040	313,477	25,434,220
Total capital assets being depreciated, net	23,451,817	2,679,982	30,413	26,101,386
Capital assets, net	\$ 27,933,384	\$ 4,588,962	\$ 3,345,247	\$ 29,177,099

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

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>

Depreciation expense for the years ended December 31, 2018 and 2017 was charged to the following operations:

	2018	2017
Water	\$ 593,234	\$ 574,942
Sewer	252,236	246,572
General and administrative	234,570	189,010
	<u>\$ 1,080,040</u>	<u>\$ 1,010,524</u>

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

**Note 5 – Authorized debt**

As of December 31, 2018, 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.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and December 31, 2018.

**General Information about the Pension Plan**

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

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

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

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.

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 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, 2018 and 2017**

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
	<u>2017</u>	<u>2018</u>
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>	<u>1.50 %</u>	<u>1.50 %</u>
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 \$173,299 and \$168,876 for the years ended December 31, 2018 and December 31, 2017, respectively.

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

At December 31, 2018, the District reported a liability of \$2,447,519 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016.

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

At December 31, 2017, the District's proportion was 0.21982 percent, which was an increase of 0.05974 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018 the District recognized pension expense of \$609,859. At December 31, 2018, 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, 2018 and 2017**

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between Expected and Actual Experience	\$ 153,114	\$ -
Changes of Assumptions or other Inputs	25,855	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	475,739
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate Share		
Share of Contributions	341,261	34,733
Contributions Subsequent to the Measurement Date	173,299	-
Total	<u>\$ 693,529</u>	<u>\$ 510,472</u>

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </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		
Share of Contributions	2,461	282,823
Contributions Subsequent to the Measurement Date	168,876	-
Total	<u>\$ 622,717</u>	<u>\$ 289,074</u>

\$173,299 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 375,725
2020	(16,548)
2021	(173,014)
2022	(176,405)
Total	<u>\$ 9,758</u>

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

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

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

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

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

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

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

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

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

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

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

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

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
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**December 31, 2018 and 2017**

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rate as of the measurement date. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- 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%,

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
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**December 31, 2018 and 2017**

at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

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

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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, 2018 and December 31, 2017:

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**December 31, 2018 and 2017**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 3,898,104	\$ 2,447,519	\$ 1,238,248

	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

*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).

**Changes between the measurement date of the net pension liability and December 31, 2018**

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

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

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
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**December 31, 2018 and 2017**

At December 31, 2018, the District reported a liability of \$2,447,519 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

<b>Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)</b>	<b>Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)</b>
7.25%	\$ 1,731,172

**Note 7 – Postemployment benefits other than pensions (OPEB)**

**General information about the OPEB Plan**

*Plan Description*

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

*Benefits Provided*

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

**Green Mountain Water and Sanitation District**

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**December 31, 2018 and 2017**

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

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

*PERA Benefit Structure*

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

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

*Contributions*

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were \$13,940 and \$13,585 for the years ended December 31, 2018 and December 31, 2017.

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

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

At December 31, 2018, the District reported a liability of \$221,983 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the District's proportion was 0.01708 percent which was an increase of 0.00479 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized OPEB expense of \$26,985. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 1,050	\$ -
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	3,714
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Share of Contributions	51,982	-
Contributions Subsequent to the Measurement Date	13,940	-
Total	<u>\$ 66,972</u>	<u>\$ 3,714</u>

\$13,940 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 9,491
2020	9,491
2021	9,491
2022	9,491
2023	10,419
Thereafter	935

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
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**December 31, 2018 and 2017**

*Actuarial assumptions*

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

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

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
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**December 31, 2018 and 2017**

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

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

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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**NOTES TO FINANCIAL STATEMENTS  
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**December 31, 2018 and 2017**

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four of five years for PERA. Recently, this assumption has been reviewed more

**Green Mountain Water and Sanitation District**

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**December 31, 2018 and 2017**

frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
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
<b>Total</b>	<b>100.00</b>	

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

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates*

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated

**Green Mountain Water and Sanitation District**

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**December 31, 2018 and 2017**

using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Proportionate Share of the Net OPEB Liability	\$ 215,875	\$ 221,983	\$ 229,339

*Discount Rate*

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate*

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 249,579	\$ 221,983	\$ 198,429

*OPEB plan fiduciary net position*

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

**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 (\$18,500 in 2018 and \$18,000 in 2017). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the years ended December 31, 2018 and 2017, 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

**Green Mountain Water and Sanitation District**

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**December 31, 2018 and 2017**

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. The rebate period expired in 2018. 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 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.

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**December 31, 2018 and 2017**

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, 2018. 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.

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.

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**December 31, 2018 and 2017**

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.

**Note 12 – Restatement to financial statements**

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

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

**Green Mountain Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

Net Position, December 31, 2017, as Previously Reported	\$ 39,991,480
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	<u>(145,680)</u>
Net Position, December 31, 2017, as Restated	<u><u>\$ 39,845,800</u></u>

\* \* \* \* \*

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<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>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY					
District's Proportion of the Net Pension Liability	0.2198%	0.1601%	0.2190%	0.2163%	0.2090%
District's Proportionate Share of the Net Pension Liability	\$ 2,447,519	\$ 2,161,545	\$ 2,412,112	\$ 1,938,345	\$ 1,719,998
District's Covered Payroll	\$ 1,331,835	\$ 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	183.77%	170.65%	193.97%	163.57%	154.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.37%	73.60%	76.90%	80.72%	77.66%

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

	<u>12/31/2018</u>	<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	\$ 173,299	\$ 168,876	\$ 160,610	\$ 157,685	\$ 150,258	\$ 141,392
Contributions in Relation to the Contractually Required Contribution	\$ 173,299	\$ 168,876	\$ 160,610	157,685	150,258	141,392
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,366,707	\$ 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%	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.

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

	<u>12/31/2017</u>	<u>12/31/2016</u>
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY		
District's Proportion of the Net OPEB Liability	0.0171%	0.0123%
District's Proportionate Share of the Net OPEB Liability	\$ 221,983	\$ 159,265
District's Covered Payroll	\$ 1,331,835	\$ 1,266,640
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	16.67%	12.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%	16.72%

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

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
DISTRICT CONTRIBUTIONS				
Contractually Required Contribution	\$ 13,940	\$ 13,585	\$ 12,860	\$ 12,684
Contributions in Relation to the Contractually Required Contribution	\$ 13,940	\$ 13,585	\$ 12,860	\$ 12,684
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,366,707	\$ 1,331,835	\$ 1,266,640	\$ 1,243,569
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

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, 2018**

	<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	\$ 6,975,075	\$ 6,925,063	\$ (50,012)
Service charges	3,135,201	3,140,411	5,210
Sewer usage charges	2,820,353	3,062,254	241,901
System development charges	98,560	2,233,696	2,135,136
Inspection fees	6,000	6,390	390
Meter sales	-	36,240	36,240
Capital reserve revenue	1,248,936	1,272,112	23,176
Interest income	138,781	277,536	138,755
Other income	79,550	99,926	20,376
<b>Total revenues</b>	<b>14,502,456</b>	<b>17,053,628</b>	<b>2,551,172</b>
<b>EXPENDITURES</b>			
Cost of water sold	6,588,202	7,013,102	(424,900)
Cost of sewage treatment	2,570,199	2,568,419	1,780
Cost of meters sold and replaced	15,000	36,225	(21,225)
Advertising	-	149	(149)
Auto expense	100,000	73,658	26,342
Directors' fees	12,000	9,300	2,700
Election expense	-	69,361	(69,361)
Employee costs, including salaries, taxes, retirement	2,122,365	2,066,847	55,518
Engineering	60,000	112,865	(52,865)
Insurance	133,044	124,275	8,769
Legal and accounting	112,000	89,770	22,230
Office expense	381,324	133,064	248,260
Repairs and maintenance	333,800	440,026	(106,226)
Pumping and telemetry costs	364,500	323,375	41,125
Capital improvements - water	2,640,000	1,744,669	895,331
Capital improvements - sewer	920,000	9,485	910,515
Capital improvements - office building and grounds	1,800,000	116,326	1,683,674
Capital improvements - equipment and vehicles	487,000	483,688	3,312
Capital contingency	356,000	-	356,000
<b>Total expenditures</b>	<b>18,995,434</b>	<b>15,414,604</b>	<b>3,580,830</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,492,978)</b>	<b>1,639,024</b>	<b>6,132,002</b>
<b>BEGINNING FUNDS AVAILABLE</b>	<b>13,732,522</b>	<b>13,847,574</b>	<b>115,052</b>
<b>ENDING FUNDS AVAILABLE</b>	<b>\$ 9,239,544</b>	<b>\$ 15,486,598</b>	<b>\$ 6,247,054</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, 2018**

<b>Revenue (budgetary basis)</b>	\$ 17,053,628
Total revenues per Statement of Revenues, Expenses, and Changes in Net Position	17,053,628
<b>Expenditures (budgetary basis)</b>	15,414,604
Depreciation expense	1,080,040
Capital expenditures	(2,354,168)
Total expenses per Statement of Revenues, Expenses, and Changes in Net Position	14,140,476
<b>Nonbudgeted nonoperating income (expense)</b>	
Loss on disposal of assets	(30,413)
Loss on sale of investments	(22,274)
Pension expense related adjustment	(436,560)
OPEB expense related adjustment	(13,045)
Total nonbudgeted nonoperating income	(502,292)
Change in net position per Statement of Revenues, Expenses, and Changes in Net Position	\$ 2,410,860

**Green Mountain Water and Sanitation District**  
**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**For the Years Ended December 31, 2018 and 2017**

	2018	2017
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising	\$ 149	115
Accounting and audit	12,250	11,950
Automobile expenses	73,658	88,247
Continuing education, seminars, and classes	12,843	15,823
Depreciation	234,570	189,010
Directors' fees	9,300	8,100
Dues	7,912	13,139
Elections	69,361	38,972
Employee benefits	286,450	331,096
Engineering	112,865	80,682
Insurance	124,275	117,817
Legal	77,521	148,086
Maintenance agreements	201,904	142,646
Miscellaneous expense	71,711	71,975
Newsletter	4,969	1,865
Office supplies	11,027	10,055
Other expense	-	1,000
Postage	33,062	28,332
Repairs and maintenance	39,944	46,974
Retirement contributions	187,239	182,461
Salaries expense	1,473,812	1,520,827
Taxes - payroll	106,503	117,398
Utilities - office	43,270	38,430
<b>Total general and administrative expenses</b>	<b>\$ 3,194,595</b>	<b>\$ 3,205,000</b>