



**EL PASO - TELLER COUNTY
9-1-1 AUTHORITY**

Management's Discussion and Analysis,

Financial Statements,

And Supplemental Information

For the Year Ended December 31, 2019

And

Independent Auditors' Report

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019	
Balance Sheet	7
Statement of Activities and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10
SUPPLEMENTAL INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability	27
Schedule of Pension Contributions and Related Ratios	28
Schedule of Proportionate Share of the Net OPEB Liability	29
Schedule of Employer OPEB Contributions and Related Ratios	30
Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual (Non – GAAP)	31
Notes to Supplemental Schedules	32

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
El Paso - Teller County 9-1-1 Authority

We have audited the accompanying financial statements of El Paso - Teller County 9-1-1 Authority (the Authority) as of and for the year ended December 31, 2019, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the Authority's basic financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Paso - Teller County 9-1-1 Authority as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2019 the Authority adopted a change in accounting principle related to the net pension liability and net OPEB liability. As a result of the change in accounting principle as described in Note 10 to the financial statements, the Authority restated its net position as of January 1, 2019. Our opinion is not modified with respect to this matter.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the schedule of the Authority's proportionate share of the net pension liability and the schedule of the Authority's pension contributions and related ratios on pages 27 and 28, the schedule of the Authority's proportionate share of the net OPEB liability and the schedule of the Authority's OPEB contributions and related ratios on pages 29 and 30 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 supplemental 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.

Report on Other Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedule of revenues, expenses and changes in net position – budget and actual (non-GAAP) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Stockman Kast Ryan + Co, LLP

July 22, 2020

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of El Paso - Teller County 9-1-1 Authority's (the Authority's) annual financial report presents the highlights of the Authority's financial activities and financial position. The analysis focuses on significant financial issues and major financial activity and the resulting changes in financial position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Financial Statements and Supplemental Information. The Financial Statements include notes which explain in detail some of the information included in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Authority's assets, deferred outflows, deferred inflows and liabilities, with the difference between these balances 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 Authority is improving or deteriorating. The statement of activities and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as an underlying event giving rise to the change occurs, regardless of the time of related cash flows. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 to 26 of this report.

FINANCIAL POSITION AND RESULTS FROM OPERATIONS

The Authority's balance sheet is summarized as follows:

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,587,091	\$ 9,970,660
Accounts receivable	2,049,782	1,149,130
Prepaid expenses	<u>800,912</u>	<u>633,041</u>
Total current assets	12,437,785	11,752,831
CAPITAL ASSETS, NET	5,579,055	5,865,424
DEFERRED OUTFLOWS OF RESOURCES	<u>897,506</u>	<u>168,344</u>
TOTAL	<u>\$ 18,914,346</u>	<u>\$ 17,786,599</u>

	2019	2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
Accounts payable and accrued expenses	\$ 384,231	\$ 278,483
Net pension liability	2,632,338	2,182,517
Net OPEB liability	<u>220,916</u>	<u>197,947</u>
Total liabilities	<u>3,237,485</u>	<u>2,658,947</u>
DEFERRED INFLOWS OF RESOURCES	<u>336</u>	<u>427,541</u>
NET POSITION		
Net investment in capital assets	5,579,057	5,865,424
Unrestricted - Board designated (reserve)	2,900,000	2,900,000
Unrestricted	<u>7,197,468</u>	<u>5,934,687</u>
Total net position	<u>15,676,525</u>	<u>14,700,111</u>
TOTAL	<u>\$ 18,914,346</u>	<u>\$ 17,786,599</u>

The Authority's current assets increased by \$684,954 due in part to increased accounts receivable due to timing of collections.

The Authority's total capital assets decreased by \$286,369 as of December 31, 2019 largely due to current year depreciation expense exceeding capital asset purchases. The Authority purchased capital assets in the amount of \$199,728 including equipment. In addition, the Authority had net disposals of \$32,792. The Authority did not receive any capital contributions during 2019.

Current liabilities increased by \$105,748 due to timing of payments in the current year.

As noted, net position may, over time serve as a useful indicator of the Authority's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$15,676,525 as of December 31, 2019.

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Operating and non-operating revenue and expenses were as follows:

	2019	2018
OPERATING REVENUE		
Telephone tariff:		
Wireless	\$ 10,910,997	\$ 10,562,186
Wireline	<u>1,354,540</u>	<u>1,518,766</u>
Total operating revenue	<u>12,265,537</u>	<u>12,080,952</u>

	2019	2018
OPERATING EXPENSES		
Administration	3,735,182	3,844,829
Depreciation expense	486,097	716,170
Personnel	2,473,660	1,972,041
License/maintenance	2,071,609	1,855,297
Communication services	1,786,727	1,590,282
PSAP expenses	784,042	1,073,171
Contracted services	<u>127,909</u>	<u>178,651</u>
Total operating expenses	<u>11,465,226</u>	<u>11,230,441</u>
OPERATING GAIN	<u>800,311</u>	<u>850,511</u>
NON-OPERATING REVENUE		
Investment income	69,135	60,228
Other income	106,968	8,077
Loss on disposal of assets	<u> </u>	<u>(3,650)</u>
Total non-operating revenue	<u>176,103</u>	<u>64,655</u>
Change in net position	<u>976,414</u>	<u>915,166</u>
NET POSITION, Beginning of year	15,383,688	13,973,072
Restatement for change in accounting principle	<u>(683,577)</u>	<u>(188,127)</u>
NET POSITION, Beginning of year, as restated	<u>14,700,111</u>	<u>13,784,945</u>
NET POSITION, End of year	<u>\$ 15,676,525</u>	<u>\$ 14,700,111</u>

BUDGET VS ACTUAL

Revenue of \$12,441,640 was received which was \$292,067 more than the projected budget. Tariff revenue increased primarily as a result of an increase in the number of telephone lines.

FUTURE PROJECTS

Wireless consumers are increasingly using text messaging as a means of everyday communication on a variety of platforms. The 911 system must also evolve to enable wireless consumers to reach 911 in an emergency situation where a voice call is not feasible or appropriate. In 2015, the El Paso Teller County 9-1-1 Authority implemented text-to-911 in both counties. The Authority continues to research Next Generation 911 (NG911) systems that will support not only text but a variety of other media and data to enhance the information available to first responders answering emergency calls for service.

2019 AUTHORITY BOARD MEMBERS

Mr. Dave Rose, Chairperson	Represents El Paso County
Mr. Miles De Young, Vice-Chairperson	Represents Teller County
Mr. Pat Rigdon, Secretary	Represents the City of Colorado Springs
Ms. Diann Pritchard, Treasurer	Represents cities, towns, U.S. military and special districts
Mr. Brad Shannon	Represents El Paso County
Mr. Vincent Niski	Represents the City of Colorado Springs
Mr. Derek Wheeler	Represents the City of Colorado Springs
Mr. Joe Ribeiro	Represents cities, towns, U.S. military and special districts
Mr. James Michael Wiles	Represents cities, towns, U.S. military and special districts

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide an overview of the El Paso - Teller County 9-1-1 Authority's finances for all interested parties. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Authority at 2350 Airport Road, Colorado Springs, Colorado 80910.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

BALANCE SHEET DECEMBER 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and cash equivalents	\$ 9,587,091
Accounts receivable	2,049,782
Prepaid expenses	<u>800,912</u>
Total current assets	<u>12,437,785</u>
CAPITAL ASSETS, NET	<u>5,579,055</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	875,027
Related to OPEB	<u>22,479</u>
Total deferred outflows of resources	<u>897,506</u>
TOTAL	<u>\$ 18,914,346</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ <u>384,231</u>
LONG-TERM LIABILITIES	
Net pension liability	2,632,338
Net OPEB liability	<u>220,916</u>
Total long-term liabilities	<u>2,853,254</u>
Total liabilities	<u>3,237,485</u>
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	<u>336</u>
NET POSITION	
Net investment in capital assets	5,579,057
Unrestricted – Board designated (reserve)	2,900,000
Unrestricted	<u>7,197,468</u>
Total net position	<u>15,676,525</u>
TOTAL	<u>\$ 18,914,346</u>

See notes to financial statements.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUE	
Telephone tariff:	
Wireless	\$ 10,627,329
Wireline	1,354,540
Prepaid wireless	<u>283,668</u>
Total operating revenue	<u>12,265,537</u>
OPERATING EXPENSES	
Administration	3,735,182
Personnel	2,473,660
License/maintenance	2,071,609
Communication services	1,786,727
PSAP expenses	784,042
Depreciation expense	486,097
Contracted services	<u>127,909</u>
Total operating expense	<u>11,465,226</u>
OPERATING GAIN	<u>800,311</u>
NON-OPERATING REVENUE	
Investment income	69,135
Other income	<u>106,968</u>
Total non-operating revenue	<u>176,103</u>
CHANGE IN NET POSITION	<u>976,414</u>
NET POSITION, Beginning of year	15,383,688
Restatement for change in account principle	<u>(683,577)</u>
NET POSITION, Beginning of year, as restated	<u>14,700,111</u>
NET POSITION, End of year	<u>\$ 15,676,525</u>

See notes to financial statements.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING ACTIVITIES	
Cash receipts from customers	\$ 11,364,885
Cash payments for goods and services	(9,420,392)
Cash payments to employees for services	<u>(2,304,437)</u>
Net cash provided by operating activities	<u>(359,944)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash used in capital and related financing activities —	
Purchase of capital assets	<u>(199,728)</u>
NON-CAPITAL FINANCING ACTIVITIES	
Cash provided by non-capital financing activities —	
Other income	<u>106,968</u>
INVESTING ACTIVITIES	
Cash provided by investing activities —	
Interest income	<u>69,135</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(383,569)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>9,970,660</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 9,587,091</u>
RECONCILIATION OF OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating gain	\$ 800,311
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Restatement for change in accounting principle	(683,577)
Depreciation	486,097
Changes in operating assets and liabilities:	
Accounts receivable	(900,654)
Prepaid expenses	(167,869)
Accounts payable and accrued expenses	<u>105,748</u>
Net cash provided by operating activities	<u>\$ (359,944)</u>

See notes to financial statements.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — El Paso - Teller County 9-1-1 Authority (the Authority) provides a primary means for the public safety agencies in times of emergency and supports the efficient and accurate provision of emergency services within El Paso and Teller County. The Authority was formed in 1990 under Article 11 of Title 29 of the Colorado State Statutes. The purpose was to establish a separate legal entity for the El Paso and Teller County governments to provide emergency telephone service. The governing board for the Authority consists of nine members appointed by various governments within the area. The Authority is authorized to collect \$1.35 per month per phone line within the service area for which emergency telephone service is provided. The funds collected shall be spent solely to pay for the equipment costs, installation costs and other costs directly related to the continued operation and total implementation of an emergency telephone service and emergency notification service.

For financial reporting purposes, the Authority includes all funds for which it is financially accountable. The Authority does not exercise any power over any other entity and is considered a sole reporting entity. The Authority has no component units as defined by the Governmental Accounting Standards Board (GASB).

Basis of Accounting — The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of GASB. The financial statements have been prepared on the accrual basis of accounting using the economic resource measurement focus. An enterprise fund is used to account for operations that are financed and operated in a similar manner to a private business enterprise: (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Net Position — The Authority's net position is classified in the following three components:

- **Net Investment in Capital Assets** — This component consists of capital assets, net of accumulated depreciation.
- **Restricted** — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- **Unrestricted** — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Budgets — In the fall, the Budget officer is required to submit to the Board of Directors a budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted by the Authority to obtain public comments on the budget. Prior to December 31, the budget is officially adopted by the Board. The Authority is authorized to transfer budgeted amounts between line items of the budget; however, any revisions that increase the total expenditures of the Authority must be approved by the Board of Directors.

Cash and Cash Equivalents — All short-term liquid investments are considered cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Capital Assets — Capital assets are recorded at cost and capitalized if over \$5,000 and have a useful life of one year or more and are depreciated using the straight-line method over estimated useful lives from three to 39 years.

Accounts Receivable — The Authority's accounts receivable consists primarily of amounts due from phone companies for emergency telephone service charges. Management has determined all receivables are considered collectible and no allowance for doubtful accounts is deemed necessary.

Operating Revenue and Expenses — Operating revenue and expenses are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 expenses during the reporting period. Actual results could differ from those estimates.

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

2. DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by PDPA. PDPA allows the financial institution to create a single collateral pool for uninsured public

deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2019, the Authority's deposits had a bank balance of \$6,644,630, of which \$250,000 was covered by federal depository insurance. The remainder of the bank balance of \$6,394,630 at December 31, 2019 was collateralized with securities held by the pledging financial institutions and covered by eligible collateral as determined by PDPA.

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. At December 31, 2019, the Authority had deposits with COLOTRUST of \$2,995,547. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investment owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

Fair Value Measurements — The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level 3) as follows:

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

Level 2: Observable inputs other than quoted market prices.

Level 3: Valuation derived from valuation techniques in which significant inputs are unobservable.

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

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance at January 1, 2019	Increase	Decrease	Balance at December 31, 2019
Building and building additions	\$ 6,346,796			\$ 6,346,796
Next generation assets	1,553,870			1,553,870
Capitalized software	2,042,806			2,042,806
Equipment and vehicles	<u>8,394,225</u>	<u>\$ 199,728</u>	<u>\$ (32,792)</u>	<u>8,561,161</u>
Total	18,337,697	199,728	(32,792)	18,504,633
Less accumulated depreciation	<u>(12,472,273)</u>	<u>(486,097)</u>	<u>32,792</u>	<u>(12,925,578)</u>
Net capital assets	<u>\$ 5,865,424</u>	<u>\$ (286,369)</u>	<u>\$ —</u>	<u>\$ 5,579,055</u>

4. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which it carries commercial insurance. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past seven years.

5. DEFINED BENEFIT PENSION PLAN

The Authority contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association PERA. In accordance with GASB 68, 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 Authority have been determined using the same basis as they are reported by LGDTF which uses 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.

Plan Description — The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Authority are members of the LGDTF. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplemental information for the LGDTF. That report may be obtained online at www.copera.org, by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Benefits Provided — The LGDTF provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at

retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713 and 1714.

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

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

The service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by the 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual 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%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% 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 LGDTF benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the LGDTF Division.

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 Authority are required to contribute to the LGDTF Division 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% of their PERA-includable salary.

The employer contribution requirements are summarized in the table below for the year ended December 31, 2019:

Employer contribution rate ¹	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	<u>(1.02)</u>
Amount apportioned to the LGDTF	8.98
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	<u>1.50</u>
Total employer contribution rate to the LGDTF division	<u><u>12.68%</u></u>

¹ 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 Division in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF Division. Employer contributions recognized by the LGDTF Division from the Authority were \$174,135 for the year ended December 31, 2019.

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

At December 31, 2019, the Authority reported a liability of \$2,632,338 for its proportionate share of the collective net pension liability. The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined as of December 31, 2018 using standard roll-forward techniques based upon the December 31, 2017 actuarial valuation. The Authority's proportion of the net pension liability was based on the Authority's contributions to LGDTF Division for the calendar year 2019 relative to the total contributions of participating employers to the LGDTF Division. The Authority has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA.

At December 31, 2019, the Authority's proportion was 0.21% which was an increase of 0.01% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the Authority's recognized a reduction in its pension expense of \$689,844. At December 31, 2019, the Authority's 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
Difference between expected and actual experience	\$ 110,066	
Net difference between projected and actual earnings on pension plan investments	342,806	
Changes in proportion and differences between contributions recognized and proportionate share of contributions	<u>422,155</u>	<u> </u>
Total	<u>\$ 875,027</u>	<u>\$ —</u>

The Authority reported \$875,027 as deferred outflows of resources related to pension, resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	
2020	\$ 195,328
2021	46,688
2022	19,102
2023	<u>613,909</u>
Total	<u>\$ 875,027</u>

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

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%
Future post-retirement benefit increases;	
PERA Benefit Structure hired prior to January 1, 2007 and LGDTF Benefit Structure (automatic)	0% through 2019 and 1.5% compounded annual thereafter
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the annual increase reserve

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 were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

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.

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

As of the most recent analysis of the long-term expected rate of return, presented to the PERA board on November 18, 2016, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocations	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 Bonds	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	<u>1.00</u>	0.20
Total	<u><u>100.00%</u></u>	

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

Discount Rate — The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law. Based on those assumptions, the LGDTF Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Authority'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%, 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%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability	\$ 4,026,934	\$ 2,632,338	\$ 1,465,619

Pension Plan Fiduciary Net Position — Detailed information about the LGDTF Division'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.

The Authority is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements for the Authority are established under Part 4, Title 24, Article 51 of the CRS, as amended. The contribution rate for members is 8%, and for the Authority it is 10% of covered salary. A portion of the Authority's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (see Note 6). The Authority is also required to pay an amortization equalization disbursement (AED) equal to 2.20% of the total payroll for the calendar years 2019 and 2018. Additionally, the Authority is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.50% of the total payroll for the calendar years 2019 and 2018. If the Authority rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay the employer contribution rate, the AED and SAED on the amounts paid for the retiree; however, no member contributions are required. For the years ending December 31, 2019 and 2018 the employer contribution to the LGDTF was \$174,135 and \$156,796, equal to their required contributions for each year, respectively.

6. POST-RETIREMENT HEALTHCARE BENEFITS

The Authority contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by PERA. In accordance with GASB 75, the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Department have been determined using the same basis as they are reported by LGDTF which uses 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.

Plan Description — Eligible employees of the Authority are provided with OPEB through the HCTF, a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF is established under Title 24, Article 51 of the CRS, as amended. 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 purpose of the PERACare program including the administration of premium subsidies. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

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. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment 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.

The maximum service-based premium subsidy is \$230 (actual dollars) 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 (actual dollars) 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 — Eligible employees and the Authority are required to contribute to the HCTF Division at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-208, *et seq.* Eligible employees are required to contribute 1.02% of their PERA-includable salary.

Employer contributions are recognized by HCTF in the period in which compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions. Employer contributions recognized by HCTF from the Authority were \$14,008 for the year ended December 31, 2019.

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

At December 31, 2019, the Authority reported a liability of \$220,916 for its proportionate share of the collective net OPEB liability. The net OPEB liability was measured as of December 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined as of December 31, 2019 using standard roll-forward techniques based upon the December 31, 2018 actuarial valuation. The Authority's proportion of the net OPEB liability was based on the Authority's contributions to LGDTF Division for the calendar year 2019 relative to the total contributions of participating

employers to the LGDTF Division. The Authority has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA.

At December 31, 2019, the Authority's proportion was 0.02% which was an increase of 0.001% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the Authority's recognized OPEB expense was \$6,267. At December 31, 2019, the Authority's 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	\$ 802	\$ 336
Net difference between projected and actual earnings on pension plan investments	1,270	
Changes in proportion and differences between contributions recognized and proportionate share of contributions	18,857	
Changes in assumptions	<u>1,550</u>	
Total	<u>\$ 22,479</u>	<u>\$ 336</u>

The Authority reported \$22,479 as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability for 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:

Year Ended December 31,	
2020	\$ 4,260
2021	4,260
2022	4,260
2023	3,487
2023	3,468
Thereafter	<u>2,744</u>
Total	<u>\$ 22,479</u>

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

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 premium	3.25% for 2018 gradually rising to 5.00% in 2025

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA Board's actuary, as needed.

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, 2017, 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:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	5%	3.75%
2021	5	4.00
2022	5	4.25
2023	5	4.50
2024	5	4.75
2025+	5	5.00

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 were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

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 analysis of the long-term expected rate of return, presented to the PERA board on November 18, 2016, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocations	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 Bonds	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	<u>1.00</u>	0.20
Total	<u>100.00%</u>	

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

Discount Rate — The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law. Based on those assumptions, the HCTF Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on OPEB 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. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates — The following presents the proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
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	<u>3.25%</u>	<u>4.25%</u>	<u>5.25%</u>
Proportionate share of the net OPEB liability	\$ 214,815	\$ 220,916	\$ 227,932

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate — The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, 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%) of one-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net OPEB liability	\$ 247,185	\$ 220,916	\$ 198

OPEB Plan Fiduciary Net Position — Detailed information about the HCTF Division'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.

The Authority is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements for the Authority are established under Part 4, Title 24, Article 51 of the CRS, as amended. The contribution rate for members is 8% and for the Authority is 10% of covered salary. A portion of the Authority's contribution (8.98% of covered salary) is allocated to the Local Government Division Trust Fund (see Note 5). The Authority is also required to pay an amortization equalization disbursement (AED) equal to 2.20% of the total payroll for the

calendar years 2019 and 2018. Additionally, the Authority is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.50% of the total payroll for the calendar years 2019 and 2018. If the Authority rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay the employer contribution rate, the AED and SAED on the amounts paid for the retiree; however, no member contributions are required. For the year ending December 31, 2019 the employer contribution to the HCTF was \$69,163, equal to their required contribution for the year.

7. DEFINED CONTRIBUTION PENSION PLAN

Plan Description — Employees of the Authority who are members of the LGDTF (see Note 5) 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. Part 14, Title 24, Article 51 of the CRS, as amended, assigns the Authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available annual report for Colorado PERA's 401(k) and Defined Contribution Plans. That report may be obtained online at www.copera.org, by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy — The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the years 2017 and 2016). In addition, catch-up contributions, up to \$6,000 for the years 2019 and 2018 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contributions requirements for the Authority are established under Title 24, Article 51, Section 1402 of the CRS, as amended.

8. AMENDMENT TO COLORADO CONSTITUTION

In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax spending, revenue and debt limitation that apply to the State of Colorado and all local governments. The Authority's financial activity for 1992 provides the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth.

TABOR excludes enterprise governments from its provisions. Enterprise governments, defined as governmental-owned businesses that are authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined are excluded from the provisions of TABOR. The Authority is of the opinion that the enterprise operations qualify for the exclusion. The amendment is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of the amendment.

9. USE OF FUNDS

The Authority believes it has complied with current CRS regarding use of funds associated with revenue resulting from emergency telephone service charges. The excess funds collected will be used for future funding of the transition to NG 911, capital outlays set forth in the Authority's five year capital expenditure plan, maintaining Authority operations, maintenance and Authority and PSAP staffing.

10. RESTATEMENT OF NET POSITION

For the year ended December 31, 2019, the Authority adopted a change in accounting principle related to the measurement date of the net pension liability and net OPEB liability. The Authority changed the measurement date to lag one fiscal year from the current fiscal year. The change in accounting principle was adopted in order to provide financial statements in a timely manner, resulting in more relevant financial statements for the Authority's financial statement users. For the Authority, the effect of implementing this standard was to change how it accounts and reports for the net pension liability and net OPEB liability. Net position as of January 1, 2019 was restated by (\$683,577) as a result of the change in accounting principle.

11. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Authority's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

**EL PASO - TELLER COUNTY
9-1-1 AUTHORITY**

**SUPPLEMENTAL SCHEDULES
AND
NOTES TO SUPPLEMENTAL SCHEDULE**

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED DECEMBER 31,**

	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.21%	0.20%	0.19%	0.16%	0.17%
Authority's proportionate share of the net pension liability	\$ 2,632,338	\$ 2,182,517	\$ 2,552,443	\$ 1,760,614	\$ 1,499,241
Authority's covered-employee payroll	\$ 1,373,301	\$ 1,236,556	\$ 1,145,711	\$ 907,688	\$ 916,553
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	191.68%	176.50%	222.78%	193.97%	163.57%
Authority's plan fiduciary net position as a percentage of the total pension liability	75.96%	79.37%	73.6%	76.90 %	80.70%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31,

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 174,135	\$ 156,796	\$ 145,276	\$ 115,095	\$ 116,219
Contributions in relation to the contractually required contribution	174,135	156,796	145,276	115,095	116,219
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Authority covered-employee payroll	\$ 1,373,301	\$ 1,236,556	\$ 1,145,711	\$ 907,688	\$ 916,553
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.68%	12.68%	12.68%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY FOR THE YEARS ENDED DECEMBER 31,

	2019	2018	2017
Authority's proportion of the net OPEB liability	0.02%	0.02%	0.01%
Authority's proportionate share of the net OPEB liability	\$ 220,916	\$ 197,947	\$ 188,217
Authority's covered-employee payroll	\$1,373,301	\$1,236,556	\$1,145,711
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.09%	16.01%	16.42%
Authority's plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.72%

Note: Information is not available prior to 2017. In future reports, additional years will be added until 10 years of historical data are presented.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31,

	2019	2018	2017
Contractually required contribution	\$ 14,008	\$ 12,613	\$ 11,686
Contributions in relation to the contractually required contribution	<u>14,008</u>	<u>12,613</u>	<u>11,686</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Authority covered-employee payroll	\$1,373,301	\$1,236,556	\$1,145,711
Contributions as a percentage of covered-employee payroll	1.02%	1.02%	1.02%

Note: Information is not available prior to 2017. In future reports, additional years will be added until 10 years of historical data are presented.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED DECEMBER 31, 2019

	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Beginning net position	\$ 8,598,792	\$ 15,383,688	\$ 6,784,896
Revenue			
Wireline tariff	1,574,494	1,354,540	(219,954)
Wireless tariff	10,208,810	10,627,329	418,519
Prepaid wireless	305,960	283,668	(22,292)
Interest income	49,893	69,135	19,242
Miscellaneous income	10,416	106,968	96,552
Total revenue	<u>12,149,573</u>	<u>12,441,640</u>	<u>292,067</u>
Expense (including capital asset expenditures)			
Personnel	2,012,494	2,473,660	(461,166)
Administration	608,775	3,735,182	(3,126,407)
Contracted professional services	211,000	127,909	83,091
Communications	963,500	1,786,727	(823,227)
License and maintenance contracts	2,579,900	2,071,609	508,291
PSAP expenses:			
Global PSAP services	718,000	106,407	611,593
Colorado Springs	4,765,780	309,945	4,455,835
Cripple Creek	239,750	239,750	-
Woodland Park	276,966	85,729	191,237
El Paso County	1,277,500	2,250	1,275,250
Teller County	759,200	37,169	722,031
Fort Carson	400	2,792	(2,392)
Capital outlay	<u>4,225,000</u>	<u>199,730</u>	<u>4,025,270</u>
Total expense	<u>18,638,265</u>	<u>11,178,859</u>	<u>7,459,406</u>
Increase (decrease) in net assets	<u>(6,488,692)</u>	<u>1,262,781</u>	<u>7,751,473</u>
Ending fund balance	<u>\$ 2,110,100</u>	<u>16,646,469</u>	<u>\$ 14,536,369</u>
RECONCILIATION OF REVENUE AND EXPENSES - GAAP BASIS			
Restatement for GASB No. 75		(683,577)	
Depreciation		(486,097)	
Capital outlay		<u>199,730</u>	
Deficiency of revenue over expenditures		<u>(969,944)</u>	
Net Position - GAAP Basis		<u>\$ 15,676,525</u>	

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

NOTES TO SUPPLEMENTAL SCHEDULE

1. BUDGET AND BUDGETARY ACCOUNTING

Procedures followed by the Authority in establishing its budget:

1. Prior to October 15, the Authority mandatorily submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means for financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through a Board resolution.
4. The Authority is authorized to transfer budgeting amounts between line items.
5. The budget for the Authority is adopted on a basis that is not consistent with accounting principles generally accepted in the United States of America (GAAP). As permitted by Colorado Local Government Budget law, the budget for the Authority is prepared on a cash basis.
6. All annual appropriations lapse at year-end.

2. SCHEDULE OF BUDGET AND ACTUAL (NON-GAAP BASIS)

The schedule of budget and actual (non-GAAP basis) is presented on a basis of accounting other than accounting principles generally accepted in the United States of America. As permitted by Colorado government Budget law, the budget for the Authority is prepared on a cash basis rather than accrual (GAAP) basis. The budget is prepared including capital expenditures and principal payments on expense for GAAP purposes but is not treated as an expense (or expenditure) for budgetary purposes and, for budgetary purposes, the Authority treats the ending cash balance as being available for budgetary purposes rather than the entire accrual basis fund balance as being available. We did a reconciliation from the non-GAAP basis to the GAAP basis at the bottom of page 29.