

**GREEN MOUNTAIN WATER
AND SANITATION DISTRICT
JEFFERSON COUNTY, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2020



Crady, Puca & Associates

Certified Public Accountants & Consultants

**GREEN MOUNTAIN WATER AND SANITATION DISTRICT
JEFFERSON COUNTY, COLORADO**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-vii
Basic Financial Statements	
Statement of Net Position.....	1
Statement of Revenues, Expenses and Changes in Net Position.....	2
Statement of Cash Flows	3
Notes to Financial Statements	4-34
Required Supplementary Information	
Schedule of the District's Proportionate Share of the Net Pension Liability	35
Schedule of District Contributions- Pension.....	36
Schedule of the District's Proportionate Share of the Net OPEB Liability	37
Schedule of District Contributions - OPEB.....	38
Other Supplementary Information	
Schedule of Revenues and Expenditures -Budget and Actual (Budgetary Basis).....	39
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses And Changes in Net Position	40



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Green Mountain Water and Sanitation District (District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic 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 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 of 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 District'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 District'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 the Green Mountain Water and Sanitation District, as of December 31, 2020, 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 a Matter

As described in Note 11 in the financial statements, the District has elected to change its method of accounting for prepaid supplies in the year ended December 31, 2020. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through vii and the pension schedules on pages 35-38 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information on pages 39 and 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.

Prior year summarized comparative information

The prior year summarized comparative information has been derived from the District's 2019 financial statements, and in our report dated May 12, 2020, we expressed an unmodified opinion on those statements. The information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crady, Puca & Associates

Aurora, CO 80016

May 11, 2021

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, 2020. 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 water and sewer connections 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 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).

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 \$45,527,027 (net position). Of this amount, \$14,196,363 (unrestricted net position) may be used to meet the District's ongoing obligations to its citizens and creditors.
- The District's total net position increased by \$1,051,956 over the prior fiscal year.
- Operating revenues from water and sewer operations increased \$1,624,873 compared to the prior year due to a significant increase in water consumption as well as increases in both the water and sewer rates.
- Operating expenses increased \$1,626,164 from the prior year due to an increase in water consumption, pumping, addition of full time District Manager, mail out election, and increased legal costs.
- Non-Operating revenues decreased \$167,764 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 and sanitation 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. This statement can be found on page 1.

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 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. This statement can be found on page 2.

The *Statement of Cash Flows* reports the District's cash flows from operating activities, investing, capital and non-capital activities. This statement can be found on page 3.

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. The notes to the financial statements can be found on pages 4-34.

Other information provide certain supplementary information concerning the District's pension and OPEB plans as well as a budgetary comparison statement to demonstrate compliance with the budget. Supplementary information can be found on pages 35-40.

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 \$45,527,027 (net position) at the close of the most recent fiscal year.

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

Statement of Net Position

	December 31,	
	2020	2019
Current and Noncurrent assets	\$ 17,050,131	\$ 17,036,483
Capital assets, net	31,330,664	30,437,634
Total assets	48,380,795	47,474,117
Deferred outflows of resources	325,143	730,038
Current liabilities	845,499	621,204
Noncurrent liabilities	1,603,392	2,837,313
Total liabilities	2,448,891	3,458,517
Deferred inflows of resources	730,020	93,844
Net position:		
Net investment in capital assets	31,330,664	30,437,634
Unrestricted	14,196,363	14,214,160
Net position	\$ 45,527,027	\$ 44,651,794

Unrestricted net position of \$14,196,363 is available for future expansion and major repair costs such as emergency water and sewer main breaks. Deferred inflows increased \$636,176 and Deferred outflows decreased \$404,895 primarily due to the amortization of deferred costs related to the pension plan.

The District has 68% 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, net position is *not* available for future spending.

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

Changes in Net Position

	December 31,	
	2020	2019
Operating revenues:		
Water and sewer operations	\$ 16,018,708	\$ 14,393,835
Other income	149,759	124,150
Non-operating revenues:		
Capital contributions of assets	-	80,000
Investment income	114,243	306,433
System development fees	79,433	61,146
Loss on asset disposal	(265)	(6,404)
Total Revenues	<u>16,361,878</u>	<u>14,959,160</u>
Operating Expenses:		
Water and sewer costs	10,183,261	9,082,039
Employee costs	1,940,438	1,862,916
Legal and accounting	374,077	186,880
Pumping and utilities	384,099	275,956
Engineering	135,455	42,876
Administrative and general	593,034	488,288
Maintenance and repairs	215,392	219,038
Contracted Labor	255,278	296,877
Depreciation	1,228,888	1,170,445
Total Operating Expenses	<u>15,309,922</u>	<u>13,625,315</u>
Change in net position	<u>1,051,956</u>	<u>1,333,845</u>
Net position - beginning restated	44,475,071	43,317,949
Net position - ending	<u>\$ 45,527,027</u>	<u>\$ 44,651,794</u>

Water and sewer operations and pumping and utilities increased due to more consumption. Administrative and general increased due to the addition of the mail out election. Increase in legal and accounting due to an increase in legal cost. Interest rates for the District's pooled investments dropped significantly from the end of 2019 through 2020 resulting in a decline in investment income.

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 and pension expense are not reflected in the budget since they do not affect funds available.

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

In total the District budgeted 2020 revenue in the amount of \$15,998,276 but instead revenue amounted to \$16,362,143. The increase in revenue is primarily due to the increase in water consumption. Budgeted expenditures amounted to \$17,643,310 and actual expenditures amounted to \$16,396,067. The decrease is primarily due to the 2019 Tank Improvement project and 2020 Sewer Improvements coming in well under budget. The 2017 Cellular Endpoint project saw major delays due to COVID and not being able to access indoor meters. As well as the 2020 Ravine Bridge Sewer project being delayed until possibly 2021.

Capital Assets

The District's net investment in capital assets as of December 31, 2020 and 2019 was as follows:

	December 31,	
	2020	2019
Land and land improvements	\$ 271,261	\$ 271,261
Construction in progress	1,957,803	3,338,739
Transmission and distribution system	37,445,971	35,060,314
Sanitation system	15,053,890	13,956,530
Buildings and grounds	1,481,446	1,498,434
Vehicles	1,372,278	1,372,278
Office equipment	571,320	589,460
Repair and maintenance equipment	749,719	771,616
Total capital assets	58,903,688	56,858,632
Accumulated depreciation	(27,573,024)	(26,420,998)
Net capital assets	\$ 31,330,664	\$ 30,437,634

Additional information relating to the District's capital assets activity can be found in Note 3 on page 13 of the audit report.

Economic Factors and Next Year's Budget

- The District monitors all proposed legislation along with legal counsel and Special District Association representatives. At this time, no legislation that poses significant negative impact to the District is foreseen.
- Inflation within the District is anticipated to be at or near the Denver metropolitan rate.
- The District has budgeted a 1.35% increase in volumetric water costs and 1.77% increase in service charges from Denver Water.
- \$2,203,356 has been budgeted in 2021 for capital improvements and operating equipment.
- The District has a budgeted surplus of \$227,499 for 2021.

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

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

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Statement of Net Position
December 31, 2020
(With Summarized Financial Information as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 13,950,784	\$ 12,834,186
Investments and deposits	828,767	1,024,508
Accounts receivable	2,146,462	2,026,936
Accrued interest receivable	841	7,255
Prepaid expenses	20,132	106,105
Other receivables	41,145	19,066
Prepaid supplies	-	176,723
Total current assets	<u>16,988,131</u>	<u>16,194,779</u>
Noncurrent assets:		
Investments and deposits	-	810,704
Capital assets:		
Capital assets, not being depreciated	2,229,064	3,610,000
Capital assets, being depreciated, net	29,101,600	26,827,634
HRA deposits	62,000	31,000
Total noncurrent assets	<u>31,392,664</u>	<u>31,279,338</u>
Total assets	<u>48,380,795</u>	<u>47,474,117</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pension	277,176	670,342
Deferred outflows related to OPEB	47,967	59,696
Total deferred outflows of resources	<u>325,143</u>	<u>730,038</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	704,167	477,605
Retainage payable	30,828	76,881
Accrued wages and compensated absences	93,297	55,775
Other liabilities and deposits	17,207	10,943
Total current liabilities	<u>845,499</u>	<u>621,204</u>
Noncurrent liabilities:		
Net pension liability	1,434,546	2,617,631
Net OPEB liability	168,846	219,682
Total noncurrent liabilities	<u>1,603,392</u>	<u>2,837,313</u>
Total liabilities	<u>2,448,891</u>	<u>3,458,517</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	678,025	83,258
Deferred inflows related to OPEB	51,995	10,586
Total deferred inflows of resources	<u>730,020</u>	<u>93,844</u>
NET POSITION		
Net investment in capital assets	31,330,664	30,437,634
Unrestricted	14,196,363	14,214,160
Total net position	<u>\$ 45,527,027</u>	<u>\$ 44,651,794</u>

The accompanying notes are an integral part of these statements.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	2020	2019
Operating revenues:		
Charges for water and sewer services	\$ 12,460,155	\$ 11,198,019
Service fee	3,558,553	3,195,816
Meter sales	3,964	1,097
Other operating income	144,845	121,878
Water and sewer inspection fees	950	1,175
Total operating revenues	<u>16,168,467</u>	<u>14,517,985</u>
Operating expenses:		
Water purchased	7,465,979	6,596,084
Sewer treatment contract	2,717,282	2,485,955
Salaries and wages	1,542,124	1,449,865
Employee benefits & taxes	398,314	413,051
District manager contract	116,113	104,826
Repairs and maintenance - contracted	139,165	192,051
Pumping and utilities	384,099	275,956
Meters	4,662	31,918
Engineering	135,455	42,876
District repairs, maintenance and grounds	124,078	114,824
Office expense	473,525	366,276
Automobile	86,652	72,296
Legal and accounting	374,077	186,880
Directors fees	9,600	8,300
Insurance	109,909	113,712
Total operating expenses	<u>14,081,034</u>	<u>12,454,870</u>
Operating income before depreciation	2,087,433	2,063,115
Depreciation	1,228,888	1,170,445
Net income from operations	<u>858,545</u>	<u>892,670</u>
Non-operating revenues (expenses):		
Interest income	114,243	306,433
System investment fees	79,433	61,146
Loss on asset disposal	(265)	(6,404)
Total non-operating revenues (expenses)	<u>193,411</u>	<u>361,175</u>
Income before capital contributions	<u>1,051,956</u>	<u>1,253,845</u>
Capital contributions of assets	-	80,000
Change in net position	<u>1,051,956</u>	<u>1,333,845</u>
Net position, beginning of year, as previously reported	<u>44,651,794</u>	<u>42,256,660</u>
Prior period adjustment	-	1,061,289
Cumulative effect of change in accounting principle	(176,723)	-
Net position, beginning of year, as restated	<u>44,475,071</u>	<u>43,317,949</u>
Net position, end of year	<u>\$ 45,527,027</u>	<u>\$ 44,651,794</u>

The accompanying notes are an integral part of these statements.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT

Statement of Cash Flows

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 16,026,862	\$ 14,507,595
Cash paid to suppliers of goods and services	(11,900,746)	(10,753,151)
Cash paid to employees for services	(2,126,766)	(2,141,002)
Net cash provided by operating activities	<u>1,999,350</u>	<u>1,613,442</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,095,551)	(2,219,415)
Deposits paid related to capital projects	6,264	6,160
System investment fees	79,433	61,146
Net cash used in capital financing activities	<u>(2,009,854)</u>	<u>(2,152,109)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	1,037,910	250,000
Interest on cash and investments	89,192	303,341
Net cash provided by investing activities	<u>1,127,102</u>	<u>553,341</u>
Net increase in cash and cash equivalents	1,116,598	14,674
Cash and cash equivalents, beginning of year	<u>12,834,186</u>	<u>12,819,512</u>
Cash and cash equivalents, end of year	<u>\$ 13,950,784</u>	<u>\$ 12,834,186</u>
Reconciliation of operating income to net cash provided by operations		
Operating income	<u>\$ 858,545</u>	<u>\$ 892,670</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	1,228,888	1,170,445
(Increase) decrease in:		
Receivables	(141,605)	(10,390)
Prepaid expenses	85,973	(22,137)
Prepaid inventory	-	12,777
HRA deposit	(31,000)	(31,000)
Deferred outflows- pension and OPEB	404,895	30,463
(Decrease) increase in:		
Accounts payable	153,877	(151,837)
Accrued payable and payroll liabilities	37,522	(25,018)
Net pension and OPEB liability	(1,233,921)	167,811
Deferred inflows- pension and OPEB	636,176	(420,342)
Total adjustments	<u>1,140,805</u>	<u>720,772</u>
Net cash provided by operating activities	<u>\$ 1,999,350</u>	<u>\$ 1,613,442</u>
Noncash capital activities:		
Contributions of assets	\$ -	\$ 80,000
Capital assets acquired with accounts and retainage payable	(26,632)	(137,969)
Loss on asset disposal	(265)	(6,404)

The accompanying notes are an integral part of these statements.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Green Mountain Water and Sanitation District, Jefferson County, Colorado, (the District), conform to accounting principles generally accepted in the United States of America (US GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies consistently applied in the preparation of the accompanying financial statements.

Reporting Entity

The District is a statutory, single-purpose, Special District governed by a five-member Board of Directors pursuant to provisions of the Colorado Special District Act, C.R.S. Title 32. Qualified electors in the District elect the members of the Board. As required by US GAAP, these financial statements present the activities of the District which is legally separate and financially independent of other state and local governments.

The District provides water and sanitation services for its service area, which is located in Jefferson County, Colorado.

The District complies with GASB 61, *“The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”* and GASB Statement No. 39, *“Determining Whether Certain Organizations Are Component Units”*. These statements establish standards for defining and reporting on the financial reporting entity. It defines component units as legally separate entities for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

In May 1996, the District’s Board passed a resolution recognizing the District as a “water activity enterprise” under Article X, Section 20 of the Colorado Constitution.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District’s financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. Enterprise funds are used by governments to report any activity for which a fee is charged to external users for goods or services.

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations, the delivery of water and wastewater treatment services and related service charges. Operating expenses for the District include costs of sales and services, operating expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions. Investment income and tap fees are recorded as non-operating revenues. Contributed assets from developers are recorded as contributions when received.

Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Certain investments are reported at fair value and are classified as current or non-current based on their maturity date. Investments held in the local government investment pool are reported at net asset value or amortized cost, as applicable, as allowed under US GAAP.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Revenues/Receivables

Revenues are generated from water services, wastewater collection, and service charges. The District utilizes cycle billings. Commercial customers are billed monthly. Residential customers are billed in two cycles, every other month on a rotating basis.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Net Position (continued)

Revenues/Receivables (continued)

The District bills and accrues an estimated amount of revenues for sales unbilled at the end of each reporting period. The unbilled amount plus any amounts billed to customers but not yet received by the District, are recorded as accounts receivable.

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and place liens on property. The District has determined that no allowance is necessary at December 31, 2020, based on historical collection experience.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Supplies Inventory

As of January 1, 2020, the District has elected to change from the consumption method to the purchased method (note 11) for supplies inventory which consists of operating supplies such as water meters, water meter parts, valve boxes and pipe replacement parts, for repairs and maintenance of the District's capital assets. For years prior to January 1, 2020, the District elected the consumption method; therefore, the cost of supplies during these periods were recorded as an expense when consumed rather than when purchased. Inventory was valued at cost using the first-in, first-out method.

Capital Assets

Capital assets include land, construction in progress, transmission and distribution system, sanitation system, buildings and grounds, office equipment, repairs and maintenance equipment and vehicles. Capital assets are defined by the District as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Transmission and distribution system	10-50
Sanitation system	10-50
Buildings and grounds	5-40
Office equipment	5-10
Repairs and maintenance equipment	5-10
Vehicles	5-10

1. Summary of Significant Accounting Policies (continued)

**Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Net Position
(continued)**

Compensated absences

It is the District's policy to permit employees to accumulate earned but unused paid time off, subject to certain limits in amounts. Accumulated, unpaid time is accrued when incurred.

Net Pension Asset and Net Pension Liability

The District reports a net pension asset or liability related to pension plans that are administered as trusts as required under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 requires local governments to recognize, as an asset or liability, their long-term obligation/benefit for pension benefits. See Note 4 for additional information.

Net OPEB Asset and Net OPEB Liability

The District reports a net Other Postemployment Benefit ("OPEB") asset or liability related to OPEB plans that are administered as trusts as required under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). GASB 75 requires local governments to recognize, as an asset or liability, their long-term obligation/benefit for OPEB benefits. See Note 5 for additional information.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, *deferred outflows of resources related to pensions and OPEB*. See Notes 4 and 5 for additional information.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as inflow of resources (revenue) until that time frame. The District has two items that qualify for reporting in this category, *deferred inflows of resources related to pensions and OPEB*. See Notes 4 and 5 for additional information. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Net Position (continued)

Net Position

The District classifies net position into three components:

- Net position invested in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position - consists of assets that are restricted by the District's creditors, by state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted net position – all remaining items of net position are reported in this category.

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

Estimates

The preparation of financial statements in conformity with US GAAP requires District management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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. Accordingly, actual results could differ from those estimates, and such differences could be material.

Comparative Data

The financial statements contain certain prior year summarized comparative information. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications made in prior year have no impact on total net position or change in net position.

1. Summary of Significant Accounting Policies (continued)

**Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Net Position
(continued)**

New accounting pronouncement

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of the Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for lease payments and receipts. The Statement is effective for the reporting periods beginning after June 15, 2021. The District has not yet determined the effect of this pronouncement.

2. Stewardship, Compliance and Accountability

Budgetary Information

The District's budget is adopted on a basis consistent with US GAAP with the following exceptions: depreciation and pension and OPEB expense is not budgeted, capital outlays and employer pension and OPEB contributions are treated as expenses for budget purposes; budget excludes gain/loss on asset disposals and investments, and capital contributions. State law requires the District to adopt annual appropriated budgets for all funds.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

Prior to October 15 of each year, the District Administrator (not an elected official) submits a proposed operating budget for the fiscal year commencing the following January 1 to the Board of Directors (elected officials). The operating budget, for the fund, includes proposed expenses and the means of financing them.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

2. Stewardship, Compliance and Accountability (continued)

Tax, Spending and Debt Limitations

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains, tax, spending, and 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 increase 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 emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases

On May 14, 1996, the Board of Directors established a Water Activity Enterprise ("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.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

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 power 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 is established to separately account for all revenue and expenditures of the Enterprise. The Enterprise prepares an annual budget and accounts for its activities.

Because the District qualifies as an enterprise fund, the District's management believes it is excluded from the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

3. Detailed Notes Concerning the Fund

Cash and Investments

Deposits and investments are classified in the accompanying financial statements as follows as of December 31, 2020:

Cash and cash equivalents:

Bank deposits and cash on hand	\$ 29,571
Money market fund	3,155,069
Government investment pools	<u>10,766,144</u>
Total cash and cash equivalents:	<u>13,950,784</u>

Current assets:

Certificates of deposit – non-negotiable	<u>828,767</u>
Total current	<u>828,767</u>

Total cash and investments \$ 14,779,551

Custodial Credit Risk: The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 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.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

The District has adopted a formal investment policy, which is more restrictive than the Colorado Revised Statutes, that specifies investment instruments meeting defined rating and risk criteria in which the District may invest. The allowed investment instruments may include but are not limited to:

- Certain money market funds
- Certificates of deposit
- Negotiable certificates of deposits
- Local government investment pools

The District invests in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established by state statute for local governmental entities to pool surplus assets. As an investment pool, CSAFE operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. CSAFE offers two accounts, CSAFE Cash and CSAFE Colorado Core (Colorado Core).

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

3. Detailed Notes Concerning the Fund (continued)

Investments (continued)

At December 31, 2020, the District invested \$858,165 in CSAFE Cash and \$8,626,675 in Colorado Core. There are no unfunded commitments and no redemption notice period for both investments.

CSAFE Cash records its investments at amortized cost and the District records its investment in CSAFE at net asset value (NAV) using the amortized cost method. Purchases and redemptions are available daily at a NAV of \$1.00 per share. CSAFE Cash limits its investments to those allowed by state statute; the portfolio has a weighted average maturity of 60 days or less. A designated custodial bank provides safekeeping and depository services to CSAFE in connection with the direct investment and withdrawal function of CSAFE Cash. The custodian's internal records segregate investments owned by the participating governments. At December 31, 2020, CSAFE Cash had a credit rating of AAAM by Standard & Poor's.

Colorado Core records its investments at fair value and the District records its investment in Colorado Core at net asset value (NAV). Purchases and redemptions are available daily at a NAV of \$2.00 per share with redemptions limited to three per month. Colorado Core limits its investments to those allowed by state statute; the portfolio has a weighted average maturity of 180 days or less. A designated custodial bank provides safekeeping and depository services to CSAFE in connection with the direct investment and withdrawal function of CSAFE. The custodian's internal records segregate investments owned by the participating governments. At December 31, 2020, Colorado Core had a credit rating of AAAs1 by Fitch.

The District invests in the Colorado Local Governmental Liquid Asset Trust (COLOTRUST), a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers two investment options: COLOTRUST PRIME and COLOTRUST PLUS+. At December 31, 2020, the District has invested \$1,281,304 in COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments.

COLOTRUST PLUS+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value. There are no unfunded commitments and there is no redemption notice period. At December 31, 2020, COLOTRUST PLUS+ had a credit rating of AAAM by Standard & Poor's.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District limits its investments to those with lower risk for market fluctuations. In addition, the District's investment policy limits investment maturities to five years or less

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

3. Detailed Notes Concerning the Fund (continued)

Investments (continued)

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's money market fund is not rated and is included in cash and cash equivalents in the above table.

Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land and land improvements	\$ 271,261	\$ -	\$ -	\$ 271,261
Construction in progress	3,338,739	2,102,081	(3,483,017)	1,957,803
Total capital assets, not being depreciated	<u>3,610,000</u>	<u>2,102,081</u>	<u>(3,483,017)</u>	<u>2,229,064</u>
Capital assets being depreciated:				
Transmission and distribution system	35,060,314	2,385,657	-	37,445,971
Sanitation system	13,956,530	1,097,360	-	15,053,890
Buildings and grounds	1,498,434	-	(16,988)	1,481,446
Office equipment	589,460	20,102	(38,242)	571,320
Repairs and maintenance equipment	771,616	-	(21,897)	749,719
Vehicles	1,372,278	-	-	1,372,278
	<u>53,248,632</u>	<u>3,503,119</u>	<u>(77,127)</u>	<u>56,674,624</u>
Less accumulated depreciation for:				
Transmission and distribution system	(16,464,999)	(694,997)	-	(17,159,996)
Sanitation system	(7,454,760)	(263,972)	-	(7,718,732)
Buildings and grounds	(783,185)	(44,275)	16,988	(810,472)
Office equipment	(486,384)	(36,477)	38,158	(484,703)
Repairs and maintenance equipment	(637,197)	(36,276)	21,716	(651,757)
Vehicles	(594,473)	(152,891)	-	(747,364)
	<u>(26,420,998)</u>	<u>(1,228,888)</u>	<u>76,862</u>	<u>(27,573,024)</u>
Total capital assets being depreciated, net	<u>26,827,634</u>	<u>2,274,231</u>	<u>(265)</u>	<u>29,101,600</u>
Total capital assets, net	\$ <u>30,437,634</u>	\$ <u>4,376,312</u>	\$ <u>(3,483,282)</u>	\$ <u>31,330,664</u>

Long Term Debt

As of December 31, 2020, the District has no authorized but unissued debt.

4. Defined Benefit Pension Plan

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position 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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of December 31, 2019.

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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

4. Defined Benefit Pension Plan (continued)

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

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

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

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, there are no annual increases (AI) for 2019. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lessor of an annual increase of 1.25 percent or the average Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

4. Defined Benefit Pension Plan (continued)

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.* and § 24-51-413. Pursuant to C.R.S. § 24-51-413, employee and employer contribution rates will increase 0.50 percent on July 1, 2020 due to the result of the 2018 AAP. Effective January 1, 2020, the State Trooper employee classification became effective for LGDTF. The District has no employees in this new classification. Employee contribution rates for January 1, 2020 through December 31, 2020 are summarized in the table below:

	January 1, 2020 through June 30, 2020	July 1, 2020 through December 31, 2020
Employee contribution (all employees except State Troopers)	8.00%	8.5%

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

	January 1, 2020 through June 30, 2020	July 1, 2020 through December 31, 2020
Employer contribution rate	12.00%	12.50%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the LGDTF	10.98%	11.48%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%	1.50%
Total employer contribution rate to the LGDTF	14.68%	15.18%

Contribution Rates for the LGDTF 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 \$171,270 for the year ended December 31, 2020.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

4. Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of December 31, 2020, the District reported a liability of \$1,434,546 for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2019 relative to the total contributions of participating employers to the LGDTF.

As of December 31, 2019, the District's proportion was .1961%, which was a decrease of .0121% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the District recognized pension benefit of \$11,850. As of December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Change in proportionate share	\$ -	\$ 91,132
Difference between expected and actual experience	93,874	-
Net difference between projected and actual earnings on plan investments	-	586,893
Changes of assumptions or other inputs	-	-
Contributions subsequent to the measurement date	183,302	-
Total	\$ <u>277,176</u>	\$ <u>678,025</u>

Contributions of \$183,302 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction in the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	
2021	\$ 176,932
2022	182,014
2023	24,955
2024	200,250
Total	\$ <u>584,151</u>

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

4. Defined Benefit Pension Plan (continued)

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 – 10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) ¹	1.25%
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

¹For 2019, the annual increase was 0.00%.

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

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

The actuarial assumptions used in the December 31, 2018, 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.

Long-term Expected Rate of Return: 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.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

4. Defined Benefit Pension Plan (continued)

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 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:

Asset Class	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%
Total	100.00%	

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

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

- 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.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

4. Defined Benefit Pension Plan (continued)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019 and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial 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. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, 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.

4. Defined Benefit Pension Plan (continued)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate: The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1 % Increase (8.25%)
\$ 2,635,155	\$ 1,434,546	\$ 424,846

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

5. Postemployment Benefits other than Pensions (OPEB)

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

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

5. Postemployment Benefits other than Pensions (OPEB) (continued)

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

C.R.S. § 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.

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

PERA Benefit Structure: The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The 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.

5. Postemployment Benefits other than Pensions (OPEB) (continued)

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$13,777 for the year ended December 31, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: As of December 31, 2020, the District reported a liability of \$168,846 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District proportion was .0150%, which was a decrease of .0011% from its proportion measured as of December 31, 2018.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

5. Postemployment Benefits other than Pensions (OPEB) continued

For the year ended December 31, 2020 the District recognized OPEB expense of \$16,752. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Change in proportionate share	\$ 31,558	\$ 20,805
Difference between expected and actual experience	560	28,372
Net difference between projected and actual earnings on plan investments	-	2,818
Changes of assumptions or other inputs	1,401	-
Contributions subsequent to the measurement date	14,448	-
Total	\$ <u>47,967</u>	\$ <u>51,995</u>

\$14,448 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

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>	
2021	\$ (299)
2022	(299)
2023	517
2024	(9,849)
2025	(8,070)
Thereafter	(476)
Total	\$ <u>(18,476)</u>

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

5. Postemployment Benefits other than Pensions (OPEB) continued

Actuarial assumptions: The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service based premium subsidy	0%
PERACare Medicare plans	5.60% in 2019, gradually decreasing to 4.5% in 2029
Medicare Part A premiums	3.5% for 2019, gradually increasing to 4.5% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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.

The actuarial assumptions used in the December 31, 2018, 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	\$605	\$237

The 2019 Medicare Part A premium is \$437 per month.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

5. Postemployment Benefits other than Pensions (OPEB) continued

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	\$571

All costs are subject to the health care cost trend rates, as discussed below.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, 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
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions 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.

5. Postemployment Benefits other than Pensions (OPEB) continued

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

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

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

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

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- 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.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

5. Postemployment Benefits other than Pensions (OPEB) continued

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 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 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:

Asset Class	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%
Total	100.00%	

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

5. Postemployment Benefits other than Pensions (OPEB) (continued)

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$164,836	\$168,846	\$173,481

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, 2019, 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%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

5. Postemployment Benefits other than Pensions (OPEB) (continued)

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate: The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$190,915	\$168,846	\$149,973

OPEB plan fiduciary net position: Detailed information about the HCTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at:
www.copera.org/investments/pera-financial-reports.

6. Defined Contribution Pension Plan

Voluntary Investment Program

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

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. For the year ended December 31, 2020, there were no employer matching contributions under the Plan. Employees are immediately vested in their own contributions and investment earnings.

Defined Contribution Retirement Plan (DC Plan)

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

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

6. Defined Contribution Pension Plan (continued)

Funding Policy – All participating employees in the PERA DC Plan and the District are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period January 1, 2020 through December 31, 2020 are summarized in the tables below:

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employee contribution rates:		
Employee contribution (all employees except State Troopers)	8.00%	8.50%
Employer Contribution Rates (On behalf of participating employees):	10.00%	10.50%

Additionally, the employers are required to contribute AED and SAED to the LGDTF as follows:

	As of December 31, 2020
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total employer contribution rate to the LGDTF¹	3.70%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. As of December 31, 2020, the District had no employees in the PERA DC Plan.

7. Other Information

Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; and natural disasters for which the District carries commercial insurance.

7. Other Information (continued)

Risk Management (continued)

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's 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 property, general liability, public official's liability and workers' compensation coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. 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. No distributions were made during the year ended December 31, 2020.

8. Intergovernmental Agreements

Fossil Ridge Metropolitan District No. 1

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

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

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. Through 2018, the District was to rebate 50% of the SDF's collected to Fossil Ridge each month until Fossil Ridge was reimbursed for all amounts advanced to the District for improvement costs, without interest. The District charges Fossil Ridge a service fee and an operations fee for each EQR connected to the Fossil Ridge Sewer System quarterly, in arrears, in amounts equal to 1.25 times the amounts charged to the District's customers. Amounts received under the Maintenance Agreement for the year ended December 31, 2020, amounted to \$313,498 of which \$78,621 is due at yearend and is included in accounts receivable.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

8. Intergovernmental Agreements (continued)

The District entered into an additional Intergovernmental Agreement for Maintenance and Repair of Sewer System (Maintenance Agreement) with Fossil Ridge in September 2008 and amended December 11, 2018. Under the Maintenance Agreement, the District is to 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 developments. Fossil Ridge compensates the District for time spent by employees or contracts based on rate schedule in the amended Maintenance Agreement, for the actual cost plus 15% for any material used, and for any other costs associated with the performance of services. For the year ended December 31, 2020, amounts received under the Maintenance Agreement amounted to \$94,282.

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 system.

Service Contract - Metro Wastewater Reclamation District (MWRD)

The District has an agreement with MWRD for final treatment and disposal of the District's sewage. The agreement provides for annual estimated charges that are assessed through the application of a predetermined formula. Adjustments to the estimated charge will be based on meter flows, content, and actual costs. The adjustments are billed or credited to the District during the two succeeding years. The District retains responsibility for the maintenance and future construction costs of all public sanitary sewer lines and retains title to all public sanitary sewer lines in the District. The composition of the charges included in sewage treatment is as follows:

	2020
Estimate for current year	\$ 2,614,704
Adjustments (positive) negative:	
Preliminary preceding year estimate to actual	36,856
Final second preceding year estimate to actual	32,502
Total annual charges	\$ <u>2,684,062</u>

The 2021 sewage treatment estimate is \$2,382,961. The total net annual charge for 2021 is expected to be \$2,023,538 which includes a 2019 final adjustment of \$(157,826) and a 2020 preliminary adjustment of \$(201,597).

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020

8. Intergovernmental Agreements (continued)

Bear Creek Water and Sanitation District

The District entered into agreements with Bear Creek Water and Sanitation District (Bear Creek) 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 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 in accordance with their respective flow capacity ownership percentages.

9. Construction commitments

As of December 31, 2020, the District had approximately \$950,000 remaining on its signed construction contract, relating to the transmitter project.

10. Contingency

The District is party to several lawsuits and pending litigation related to an Intergovernmental Agreement (IGA) that was terminated by the District prior to the agreement going into effect. The IGA was signed by a previous Board of Directors of the District without the necessary public hearings and approvals. The District intends to defend the cases vigorously as the District's position is that the IGA was void and unenforceable and would thereby have put the District at risk. The District is also currently engaging legal counsel to investigate the possibility of the lawsuits being settled outside of District Court if the settlements represent the best interest of the District's constituents. The District is unable to predict the outcome of this matter at this time and as such no estimate of possible loss can be made.

11. Change in Accounting Principle

As of January 1, 2020, the District has elected to change from the consumption method to the purchased method for supplies inventory. Supplies inventory consisted of operating supplies such as water meters, water meter parts, valve boxes and pipe replacement parts, for repairs and maintenance of the District's capital assets. The District determined that this new method is more indicative of their current methods and usage of these supplies.

If the election had occurred effective for 2019, the effect of the change in accounting principle would have been as follows:

The total effect of this entry on the 2019 Statement of Net Position was as follows:

	<u>2019 Original</u>	<u>Restatement</u>	<u>2019 Restated</u>
Prepaid supplies	\$ 176,723	\$ (176,723)	\$ -

REQUIRED SUPPLEMENTARY INFORMATION

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportionate (percentage) of the net pension liability	19.6100%	0.2082%	0.2198%	0.1601%	0.2190%	0.2163%	0.2090%
District's proportionate share of the net pension liability	\$ 1,434,546	\$ 2,617,631	\$ 2,447,519	\$ 2,161,545	\$ 2,412,112	\$ 1,938,345	\$ 1,719,998
Districts' covered payroll	\$ 1,404,503	\$ 1,366,707	\$ 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 the covered payroll	102.14%	191.53%	183.77%	170.65%	193.97%	163.57%	154.25%
Plan fiduciary net pension as a percentage of the total pension liability	86.26%	75.96%	79.37%	73.60%	76.90%	80.72%	77.66%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the LGTDF Pension Plan. Covered payroll is presented based on the fiscal year. Information earlier than 2013 was not available.

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

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Schedule of District Contributions - Pensions
Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 183,302	\$ 178,091	\$ 173,299	\$ 168,876	\$ 160,610	\$ 157,685	\$ 150,258	\$ 141,392
Contributions in relation to the statutorily required contribution	183,302	178,091	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>	<u>\$ -</u>	<u>\$ -</u>
District's Covered payroll	\$ 1,416,680	\$ 1,404,503	\$ 1,366,707	\$ 1,331,835	\$ 1,266,640	\$ 1,243,569	\$ 1,185,001	\$ 1,115,079
Contribution as a percentage of covered payroll	12.94%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%

* The amounts presented for each fiscal year were determined as of December 31. Information earlier than 2013 was not available.

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

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportionate (percentage) of the net OPEB liability	0.0150%	0.0161%	0.0171%	0.0123%
District's proportionate share of the net OPEB liability	\$ 168,846	\$ 219,682	\$ 221,983	\$ 159,265
Districts' covered payroll	\$ 1,404,503	\$ 1,366,707	\$ 1,331,835	\$ 1,266,640
District's proportionate share of the net OPEB liability as a percentage of the covered payroll	12.02%	16.07%	16.67%	12.57%
Plan fiduciary net pension as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the HCTF OPEB Plan. Covered payroll is presented based on the fiscal year. Information earlier than 2016 was not available.

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

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Schedule of District Contributions - OPEB
Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 14,450	\$ 14,326	\$ 13,940	\$ 13,585	\$ 12,860	\$ 12,684
Contributions in relation to the statutorily required contribution	14,450	14,326	13,940	13,585	12,860	12,684
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered payroll	\$ 1,416,680	\$ 1,404,503	\$ 1,366,707	\$ 1,331,835	\$ 1,266,640	\$ 1,243,569
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of December 31. Information earlier than 2015 was not available.

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

OTHER SUPPLEMENTARY INFORMATION

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance with Final
Revenues:			
Charges for water services	\$ 7,482,199	\$ 7,968,174	\$ 485,975
Charges for sewer services	2,994,973	2,937,698	(57,275)
Capital reserve	1,511,077	1,554,283	43,206
Service fee	3,574,489	3,558,553	(15,936)
Meter sales	-	3,964	3,964
Water and sewer inspection fees	3,000	950	(2,050)
Other operating income	83,850	144,845	60,995
System development fees	98,560	79,433	(19,127)
Lease income	2,400	-	(2,400)
Interest income	247,728	114,243	(133,485)
Total Revenues	15,998,276	16,362,143	363,867
Expenditures:			
Water purchased	7,131,512	7,465,979	(334,467)
Sewer treatment contract	2,719,062	2,717,282	1,780
Salaries, taxes and benefits	2,091,329	2,133,288	(41,959)
District manager contract	186,000	116,113	69,887
Repairs and maintenance - contracted	210,000	139,165	70,835
Pumping and utilities	349,875	384,099	(34,224)
Meters	15,000	4,662	10,338
Engineering	125,000	135,455	(10,455)
District repairs, maintenance and grounds	188,000	124,078	63,922
Office expense	449,054	473,525	(24,471)
Automobile	100,000	86,652	13,348
Legal and accounting	324,500	374,077	(49,577)
Directors fees	12,000	9,600	2,400
Insurance	117,178	109,909	7,269
Capital outlay:			
Water	1,955,000	1,400,318	554,682
Sewer	1,285,000	700,976	584,024
Equipment and vehicles	60,800	-	60,800
Office expense	-	20,889	(20,889)
Contingency	324,000	-	324,000
Total Expenditures	17,643,310	16,396,067	1,247,243
Excess (Deficiency) of Revenues over Expenditures	\$ (1,645,034)	\$ (33,924)	\$ 1,611,110

The accompanying notes are an integral part of these statements.

GREEN MOUNTAIN WATER AND SANITATION DISTRICT
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes
in Net Position
For the Year Ended December 31, 2020

Revenue (budgetary basis)	<u>\$ 16,362,143</u>
Revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>16,362,143</u>
Expenditures (budgetary basis)	16,396,067
Loss on asset disposal	265
Pension and OPEB expense (benefit)	4,902
Employer contribution expense	(197,752)
Depreciation	1,228,888
Capital outlay	<u>(2,122,183)</u>
Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>15,310,187</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 1,051,956</u></u>

The accompanying notes are an integral part of these statements.