

**TRI-LAKES WASTEWATER
TREATMENT FACILITY**

BASIC FINANCIAL STATEMENTS

December 31, 2020

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JOHN CUTLER & ASSOCIATES

Joint Use Coordinating Committee
Tri-Lakes Wastewater Treatment Facility
Monument, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business activities and each major fund of the Tri-Lakes Wastewater Treatment Facility, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Facility'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business activities and each major fund of the Tri-Lakes Wastewater Treatment Facility as of and for the year ended, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the Facility's proportionate share and the schedule of the Facility's contributions on pages 32-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tri-Lakes Wastewater Treatment Facility's basic financial statements. The individual fund financial statement listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 individual fund financial statement is fairly stated in all material respects in relation to the financial statements as a whole.

John Luthr & Associates, LLC

June 30, 2021

BASIC FINANCIAL STATEMENTS

TRI-LAKES WASTEWATER TREATMENT FACILITY

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 December 31, 2020

ASSETS	2020	2019
Current Assets		
Cash and Cash Equivalents	\$ 7,505	\$ 100
Accounts Receivable	83,478	174,996
Prepaid Expenses	34,959	38,194
Total Current Assets	125,942	213,290
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	7,400,026	7,591,460
Total Noncurrent Assets	7,400,026	7,591,460
TOTAL ASSETS	7,525,968	7,804,750
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	249,182	263,548
Related to OPEB	11,915	14,713
TOTAL DEFERRED OUTFLOWS OF RESOURCES	261,097	278,261
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 7,787,065	\$ 8,083,011
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 12,207	\$ 106,067
Compensated Absences	68,761	95,946
Deposits From Owning Districts	59,172	59,172
Total Current Liabilities	140,140	261,185
Noncurrent Liabilities		
Pension Liability	384,384	579,457
OPEB Liability	45,247	58,227
Total Noncurrent Liabilities	429,631	637,684
TOTAL LIABILITIES	569,771	898,869
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	298,977	110,963
Related to OPEB	11,204	89
TOTAL DEFERRED INFLOWS OF RESOURCES	310,181	111,052
NET POSITION		
Invested in Capital Assets	7,400,026	7,591,460
Unrestricted	(492,913)	(518,370)
TOTAL NET POSITION	6,907,113	7,073,090
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 7,787,065	\$ 8,083,011

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

TRI-LAKES WASTEWATER TREATMENT FACILITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Interdistrict charges for operations	\$ 1,204,221	\$ 1,130,719
TOTAL OPERATING REVENUE	<u>1,204,221</u>	<u>1,130,719</u>
OPERATING EXPENSES		
Dues, Subscriptions, Education, and Travel	3,681	6,081
Permits and Licenses	14,534	14,118
Equipment Expenses	6,004	16,145
Insurance	31,529	24,615
Repairs and Maintenance	145,993	119,133
Miscellaneous Expenses	1,387	2,952
Office Expenses	4,270	4,902
Plant Operator's Expense	414,421	474,887
Professional Fees	41,842	33,792
Management and Secretarial	-	-
Small Tools	437	635
Supplies	81,738	26,886
Special Chemical Monitoring	59,393	82,732
Vehicle Expense	3,117	3,770
Utilities	148,364	147,579
Sludge Removal	141,579	131,912
Depreciation	277,385	278,169
TOTAL OPERATING EXPENSES	<u>1,375,674</u>	<u>1,368,308</u>
OPERATING INCOME (LOSS)	<u>(171,453)</u>	<u>(237,589)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	12,361	2,778
Pension (Expense) Revenue	(6,885)	81,740
OPEB (Expense) Revenue	-	(3,129)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>5,476</u>	<u>81,389</u>
NET INCOME	(165,977)	(156,200)
NET POSITION, Beginning, restated	<u>7,073,090</u>	<u>7,229,290</u>
NET POSITION, Ending	<u>\$ 6,907,113</u>	<u>\$ 7,073,090</u>

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

TRI-LAKES WASTEWATER TREATMENT FACILITY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Owning Districts	\$ 1,295,739	\$ 1,049,101
Cash Paid for Goods and Services	<u>(1,214,744)</u>	<u>(1,051,879)</u>
Net Cash Provided (Used) by Operating Activities	<u>80,995</u>	<u>(2,778)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	<u>(85,951)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>12,361</u>	<u>2,778</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,405	-
CASH AND CASH EQUIVALENTS, Beginning	<u>100</u>	<u>100</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 7,505</u>	<u>\$ 100</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	<u>\$ (171,453)</u>	<u>\$ (237,589)</u>
Net Cash Provided by Operating Activities		
Depreciation and Amortization	277,385	278,169
Changes in Assets and Liabilities		
Accounts Receivable	91,518	(81,618)
Prepaid Expenses	3,235	(4,405)
Accounts Payable	(93,860)	63,948
Pension Related Accounts	1,355	-
Compensated Absences	<u>(27,185)</u>	<u>(21,283)</u>
Total Adjustments	<u>252,448</u>	<u>234,811</u>
Net Cash Provided by Operating Activities	<u>\$ 80,995</u>	<u>\$ (2,778)</u>

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

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tri-Lakes Wastewater Treatment Facility (the “Facility”) is an entity formed by intergovernmental agreement among Palmer Lake Sanitation Facility, Monument Sanitation Facility, and Woodmoor Sanitation Facility No.1. The Facility is operated and accounted for as an enterprise fund and the financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Facility meets the criteria to be treated as a joint venture. The more significant of the Facility’s policies are described below.

Reporting Entity

Joint ventures are created by governments for special purposes and are responsible to the public, investors, creditors, the management that created them, and the users served by the joint venture. A joint venture is a legal entity or other contractual arrangement participated in by a government as a separate and specific activity for the benefit of the public or several recipients in which the government retains an ongoing financial interest and/or responsibility.

The financial reporting entity consists of the Facility and organizations for which the Facility is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Facility. In addition, any legally separate organizations for which the Facility is financially accountable are considered part of the reporting entity. Financial accountability exists if the Facility appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Facility.

Based on the application of these criteria, the Facility does not include additional organizations in its reporting entity. However, the Facility is a joint venture and is reported within each owning Facility’s financial reporting entity. Each District is financially responsible for the Facility. Financial responsibility is derived from the governmental unit’s power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Financial responsibility implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Facility uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The Facility's fund is classified as an enterprise fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Facility reports all activity in one enterprise fund which is a proprietary fund type. This fund is considered a major fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

Cash and Cash Equivalents – Cash and cash equivalents include amounts in deposit accounts and short-term investments with an original maturity of three months or less.

Receivables – Receivables consists of amounts owed to the Facility by the owning Facilities. All amounts are considered to be collectible and no allowance for bad debt has been recorded. As of December 31, 2020, the accounts receivable balance was \$83,478 which was paid by the owning Facilities in January 2021.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

Capital Assets – The Facility capitalizes all assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest is capitalized during the construction phase.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of Net Position in the financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method:

Plant and Buildings	50 years
Land Improvements	20 years
Infrastructure and Improvements	5 – 15 years
Vehicles and Equipment	5 - 7 years

Accrued Compensated Absences – Employees of the Facility are allowed to accumulated unused vacation and sick time. The Facility’s employees accrue vacation time ranging from 10 to 20 days per year depending on years of service. Sick leave is accrued at a rate of 8 hours per month. Upon termination, an employee will be compensated for all unused vacation time. Unused sick time will be compensated if an employee has completed ten years of service prior to termination. These compensated absences are recognized as current salary costs when earned in the proprietary fund. A liability has been recorded in the government-wide financial statements for the accrued compensated absences

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Net Position— The business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third-party limitation on their use. While the Facility's management may have categorized and segmented portion for various purposes, the Facility's Board has the unrestricted right to revisit or alter these managerial decisions.

Deposits Held for Owning Facilities

Per the Cash Flow Escrow Agreement dated October 13, 1998 and amended on December 12, 2006, each owning Facility of the Facility was required to deliver a sum of \$10,000 and \$7,000. The Agreement provided working capital and to satisfy projected cash flow requirements. In addition to the deposits, any interest earned is transferred to the deposit account. In the event of the termination of the Agreement by the Facilities, the funds will be distributed to each of the owning Facilities. As of December 31, 2020, the deposit balance was \$59,172.

Joint Use Coordinating Committee

Each Facility appoints one representative and an alternate to serve on the Joint Use Coordinating Committee. The committee has, as its function and responsibility, the review of the use and operation of the Facility.

Risk Management

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Facility purchases commercial insurance for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Facility's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A budget is adopted for the enterprise fund as a management control device but is not legally required. The budgetary information presented in the financial statements was approved by each owning Facility.

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents reported in the December 31, 2020 financial statements consisted of the following:

Petty Cash	\$ 100
Cash Deposits	<u>7,405</u>
Total	<u>\$ 7,505</u>

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2020, State regulatory commissioners have indicated that all financial institutions holding deposits for the Facility are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

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 at least equal to 102% of the uninsured deposits. The Facility has no policy regarding custodial credit risk for deposits.

At December 31, 2020, the Facility had deposits with financial institutions with a carrying amount of \$7,405. The bank balances with the financial institutions were \$163,727. All of the balance was covered by federal depository insurance.

Interest Rate Risk

The Facility does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2020, the Facility has no investments.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Certain money market funds
- Guaranteed investment contracts

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

Credit Risk (Continued)

The Facility did not have any investments requiring categorization of credit risk as of December 31, 2020 and had no policy for managing credit risk.

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2020, is summarized below.

	<u>Balance</u> <u>12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/20</u>
Capital Assets, Being				
Depreciated				
Treatment Plant	\$ 8,078,397	\$ -	\$ -	\$ 8,078,397
Phosphorous Plant	3,692,854	-	-	3,692,854
Lab Building	477,742	-	-	477,742
Land Improvements	165,008	-	-	165,008
Landscaping	12,761	-	-	12,761
Road	6,301	-	-	6,301
Equipment	435,773	85,951	-	521,724
Vehicles	55,513	-	-	55,513
Total Capital Assets, Being Depreciated	<u>12,924,349</u>	<u>85,951</u>	<u>-</u>	<u>13,010,300</u>
Accumulated Depreciation				
Treatment Plant	4,516,616	159,319	-	4,675,935
Phosphorus Plant	227,726	73,857	-	301,583
Lab Building	132,177	9,555	-	141,732
Land Improvements	74,490	10,386	-	84,876
Landscaping	12,761	-	-	12,761
Road	6,301	-	-	6,301
Equipment	323,190	18,972	-	342,162
Vehicles	39,628	5,295	-	44,923
Total Accumulated Depreciation	<u>5,332,889</u>	<u>277,385</u>	<u>-</u>	<u>5,610,274</u>
Net Capital Assets	<u>\$ 7,591,460</u>	<u>\$ (191,434)</u>	<u>\$ -</u>	<u>\$ 7,400,026</u>

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions: Tri-Lakes Wastewater Treatment Facility 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, 2000.

General Information about the Pension Plan

Plan description. Eligible employees of the Tri-Lakes Wastewater Treatment Facility are provided with pensions through the 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.

Benefits provided as of December 31, 2019. 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.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN

General Information about the 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, the annual increase for 2019 is 0.00 percent for all benefit recipients. 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 on or after January 1, 2007 will receive the lessor of an annual increase of 1.25 percent or the average of the 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 in 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.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan (Continued)

Contributions provisions as of December 31, 2020: Eligible employees and Tri-Lakes Wastewater Treatment Facility 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. Employee contribution rates for the period of January 1, 2019 through December 31, 2020 are summarized in the table below:

	January 1, 2019 Through December, 31 2019	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employee contribution (all employees except State Troopers)	8.00%	8.00%	8.50%
State Troopers Only	N/A	10.00%	10.50%

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

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

	January 1, 2019 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employer contribution rate	10.00%	10.50%
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	8.98%	9.48%
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	12.68%	13.18%

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NOTE 5: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan (Continued)

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

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

	January 1, 2019 Through December 31, 2019	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employer contribution rate	N/A	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)	N/A	(1.02)%	(1.02)%
Amount apportioned to the LGDTF	N/A	10.98%	11.48%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	N/A	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	N/A	1.50%	1.50%
Total employer contribution rate to the LGDTF	N/A	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 Tri-Lakes Wastewater Treatment Facility is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from Tri-Lakes Wastewater Treatment Facility were \$42,014 for the year ended December 31, 2020.

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

At December 31, 2020 the Tri-Lakes Wastewater Treatment Facility reported a liability of \$384,384 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.

TRI-LAKES WASTEWATER
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NOTE 5: DEFINED BENEFIT PENSION PLAN

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

The Tri-Lakes Wastewater Treatment Facility proportion of the net pension liability was based on Tri-Lakes Wastewater Treatment Facility contributions to the LGDTF for the calendar year 2019 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2019, the Tri-Lakes Wastewater Treatment Facility proportion was .05256%, which was an increase of .00646% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Tri-Lakes Wastewater Treatment Facility recognized pension expense of \$52,279. At December 31, 2020, the Tri-Lakes Wastewater Treatment Facility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$25,153	N/A
Changes of assumptions or other inputs	N/A	N/A
Net difference between projected and actual earnings on pension plan investments	\$141,721	\$298,977
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$37,336	N/A
Contributions subsequent to the measurement date	\$44,972	N/A
Total	\$249,182	\$298,977

\$44,972 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2020:	
2021	\$3,530
2022	(\$37,954)
2023	(\$6,687)
2024	(\$53,656)

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NOTE 5: DEFINED BENEFIT PENSION PLAN

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) ¹	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) ¹	Financed by the Annual Increase Reserve

¹ For 2019, the annual increase was 0.00 percent.

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.

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NOTE 5: DEFINED BENEFIT PENSION PLAN

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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%	

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NOTE 5: DEFINED BENEFIT PENSION PLAN

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

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.

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.

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NOTE 5: DEFINED BENEFIT PENSION PLAN

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

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.

Sensitivity of the Tri-Lakes Wastewater Treatment Facility proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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%)
Proportionate share of the net pension liability	\$706,084	\$384,384	\$113,837

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.

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB. Tri-Lakes Wastewater Treatment Facility 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.

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 6: **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**
(Continued)

General Information about the OPEB Plan

Plan description. Eligible employees of the Tri-Lakes Wastewater Treatment Facility 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.

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.

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December 31, 2020

NOTE 6: **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**
(Continued)

General Information about the OPEB Plan (Continued)

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.

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 Tri-Lakes Wastewater Treatment Facility is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Tri-Lakes Wastewater Treatment Facility were \$3,301 for the year ended December 31, 2020.

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TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

At December 31, 2020, the Tri-Lakes Wastewater Treatment Facility reported a liability of \$45,247 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 Tri-Lakes Wastewater Treatment Facility proportion of the net OPEB liability was based on Tri-Lakes Wastewater Treatment Facility 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 Tri-Lakes Wastewater Treatment Facility proportion was .00403%, which was a decrease of 0.00025% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Tri-Lakes Wastewater Treatment Facility recognized OPEB expense of \$4,234. At December 31, 2020 the Tri-Lakes Wastewater Treatment Facility 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>
Difference between expected and actual experience	\$150	\$7,603
Changes of assumptions or other inputs	\$375	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$755
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$8,089	\$2,846
Contributions subsequent to the measurement date	\$3,301	N/A
Total	\$11,915	\$11,204

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

\$3,301 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2021	(\$14)
2022	(\$14)
2023	\$205
2024	(\$667)
2025	(\$1,972)
Thereafter	(\$128)

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 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
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.

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NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by 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.

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.

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NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6: **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**
(Continued)

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

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.

TRI-LAKES WASTEWATER
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The 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%	

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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

Sensitivity of the Tri-Lakes Wastewater Treatment Facility 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	\$44,172	\$45,247	\$46,498

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 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- 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.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

- 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.

Sensitivity of the Tri-Lakes Wastewater Treatment Facility 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%)
Proportionate share of the net OPEB liability	\$51,161	\$45,247	\$40,190

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.

NOTE 7: RETIREMENT PLAN

The Facility participates in a Section 457 Deferred Compensation Plan for its employees. The plan is administered by Lincoln National Life. The Facility matches 5% of the gross salary of all participating employees. During the year ended December 31, 2020 the Facility contributed \$15,178 and employees contributed \$23,764 to the plan.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 8: COMMITMENTS AND CONTINGENCIES

Joint Ownership

In 1977, Woodmoor Water and Sanitation Facility No.1, Palmer Lake Sanitation Facility, and Monument Sanitation Facility (participating Facility's) entered into an agreement for the joint operation and use of a wastewater treatment facility.

In 1988, by amendment to the original agreement, Woodmoor Sanitation Facility No.1 began management of the Facility in accordance with the policies and procedures for joint use established by the coordinating committee.

In 1996, the three participating Facility's entered into an Amended Joint Use of Facilities Agreement which replaced all prior agreements with regard to management of the Facility. Since the amendment, the Facility is operated and managed as a joint venture of the participating District's.

As of December 2006, Woodmoor Water and Sanitation Facility No.1 no longer manages the Facility. The Facility Manager manages under the direction of the Joint Use Committee Board of Directors.

The real and personal property and fixtures of the Facility are commonly owned by the Facility's in equal, undivided one-third interests, with each Facility possessing the right to use the real estate. Major repair or replacement expenses in excess of \$5,000 are assessed equally to each District.

Operating expenses and major repair and replacement expenses less than \$5,000 are billed to the respective Facility's on a monthly basis in accordance with each Facility's pro rata contribution to the monthly flows and BOD loadings discharged into the Facility. Each calendar month, 40% of operating expenses are billed by influent flows and 60% of operating expenses are billed by BOD loadings. The capacity is subject to change with future facility expansion.

In February 2015, Woodmoor Water and Sanitation District No. 1 and Palmer Lake Sanitation District entered into an Offer of Settlement Agreement. The purpose of the agreement is to ensure that the state mandated improvements to the Trilakes Wastewater Facility are not delayed and that the Facility's grant funds for the improvements are not jeopardized despite the ongoing dispute among the participating Facility's regarding the cost sharing of the capital improvements. The agreement establishes preliminary cost allocation, whereas Woodmoor Water and Sanitation District's No. 1 agrees to cover 66.66% of the project costs until a settlement among the Districts can be reached. This agreement was amended in July 2015. In the amended agreement, Woodmoor Water and Sanitation District No. 1 had agreed to provide gap funds to the Palmer Lake Sanitation District in the event that the grant funds are not received.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 8: **COMMITMENTS AND CONTINGENCIES** (Continued)

Joint Ownership (Continued)

A final court ruling was issued on May 23, 2016 granting the Woodmoor Water and Sanitation District No 1's motion for summary judgment for costs of the Phase I improvements to be allocated 1/3 to Palmer Lake Sanitation District, 1/3 to Monument Sanitation, and 1/3 to Woodmoor Water and Sanitation District No 1. Subsequent to the ruling, the defendants (Monument Sanitation District and Palmer Lake Sanitation) filed an appeal with the appellate courts on June 22nd, 2016. The District Court ruled against the defendants and in favor of the Woodmoor Water and Sanitation District No. 1 on September 15, 2019.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Tabor Amendment is subject to many interpretations, but the Facility believes it is exempt from the provisions of the amendment.

REQUIRED SUPPLEMENTARY INFORMATION

TRI-LAKES WASTEWATER TREATMENT FACILITY

SCHEDULE OF THE FACILITY'S PROPORTIONATE SHARE
LOCAL GOVERNMENT DIVISION TRUST FUND

Years Ended December 31,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Facility's proportionate share of the Net Pension Liability	0.0414%	0.0393%	0.0427%	0.0460%	0.0461%	0.0526%
Facility's proportionate share of the Net Pension Liability	\$ 371,310	\$ 432,863	\$ 576,125	\$ 512,624	\$ 579,457	\$ 384,384
Facility's covered payroll	\$ 226,998	\$ 226,998	\$ 263,959	\$ 290,438	\$ 323,777	\$ 337,211
Facility's proportionate share of the Net Pension Liability as a percentage of its covered payroll	163.6%	190.7%	218.3%	176.5%	179.0%	114.0%
Plan fiduciary net position as a percentage of the total pension liability	80.7%	76.9%	73.6%	79.4%	76.0%	86.3%

See the accompanying independent auditors' report

TRI-LAKES WASTEWATER TREATMENT FACILITY

SCHEDULE OF THE FACILITY'S CONTRIBUTIONS
LOCAL GOVERNMENT DIVISION TRUST FUND

Years Ended December 31,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contributions	\$ 28,299	\$ 32,736	\$ 39,790	\$ 44,358	\$ 49,583	\$ 42,014
Contributions in relation to the Statutorily required contributions	<u>28,299</u>	<u>32,736</u>	<u>39,790</u>	<u>44,358</u>	<u>49,583</u>	<u>42,014</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Facility's covered payroll	\$ 223,166	\$ 263,959	\$ 290,438	\$ 323,777	\$ 361,923	\$ 337,211
Contributions as a percentage of covered payroll	12.68%	12.40%	13.70%	13.70%	13.70%	12.46%

See the accompanying independent auditors' report

TRI-LAKES WASTEWATER TREATMENT FACILITY
 SCHEDULE OF THE FACILITY'S PROPORTIONATE SHARE
 HEALTH CARE TRUST FUND

Years Ended December 31,

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Facility's proportionate share of the Net OPEB Liability	0.0033%	0.0036%	0.0043%	0.0040%
Facility's proportionate share of the Net OPEB Liability	\$ 42,467	\$ 46,486	\$ 58,227	\$ 45,247
Facility's covered payroll	\$ 263,959	\$ 290,438	\$ 323,777	\$ 337,211
Facility's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	16.1%	16.0%	18.0%	13.4%
Plan fiduciary net position as a percentage of the total OPEB liability	16.7%	17.5%	17.0%	24.5%

See the accompanying independent auditors' report

TRI-LAKES WASTEWATER TREATMENT FACILITY

SCHEDULE OF THE FACILITY'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended December 31,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contributions	\$ 2,962	\$ 3,303	\$ 3,692	\$ 3,301
Contributions in relation to the Statutorily required contributions	<u>2,962</u>	<u>3,303</u>	<u>3,692</u>	<u>3,301</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Facility's covered-employee payroll	\$ 290,438	\$ 323,777	\$ 361,923	\$ 337,211
Contributions as a percentage of covered-employee payroll	1.02%	1.02%	1.02%	0.98%

See the accompanying independent auditors' report

INDIVIDUAL FUND FINANCIAL STATEMENT

TRI-LAKES WASTEWATER TREATMENT FACILITY

BUDGETARY COMPARISON SCHEDULE
 PROPRIETARY FUND TYPE
 Year Ended December 31, 2020

	2020		VARIANCE Positive (Negative)	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Interdistrict Income	\$ 1,297,834	\$ 1,204,221	\$ (93,613)	\$ 1,130,719
Other	-	12,361	12,361	2,778
TOTAL REVENUES	<u>1,297,834</u>	<u>1,216,582</u>	<u>(81,252)</u>	<u>1,133,497</u>
EXPENDITURES				
Construction	1,000	-	1,000	-
Dues, Subscriptions, Education, and Travel	7,000	3,681	3,319	6,081
Permits and Licenses	15,000	14,534	466	14,118
Equipment Expenses	66,057	6,004	60,053	16,145
Insurance	26,000	31,529	(5,529)	24,615
Repairs and Maintenance	140,349	145,993	(5,644)	119,133
Miscellaneous Expenses	2,500	1,387	1,113	2,952
Office Expenses	4,800	4,270	530	4,902
Plant Operator's Expense	491,724	414,421	77,303	474,887
Professional Fees	28,000	41,842	(13,842)	33,792
Management and Secretarial	25,450	-	25,450	-
Small Tools	500	437	63	635
Supplies	89,100	81,738	7,362	26,886
Special Chemical Monitoring	95,033	59,393	35,640	82,732
Vehicle Expense	3,720	3,117	603	3,770
Utilities	157,016	148,364	8,652	147,579
Sludge Removal	139,585	141,579	(1,994)	131,912
Contingency	5,000	-	5,000	
TOTAL EXPENDITURES	<u>1,297,834</u>	<u>1,098,289</u>	<u>199,545</u>	<u>1,090,139</u>
NET INCOME (LOSS), Budget Basis	<u>\$ -</u>	118,293	<u>\$ 118,293</u>	43,358
GAAP BASIS ADJUSTMENTS				
Depreciation		(277,385)		(278,169)
Pension Expense		(9,843)		81,740
OPEB Expense		-		(3,129)
NET GAIN (LOSS) GAAP Basis		(168,935)		(156,200)
NET POSITION, Beginning, restated		<u>7,073,090</u>		<u>7,229,290</u>
NET POSITION, Ending		<u>\$ 6,904,155</u>		<u>\$ 7,073,090</u>

See the accompanying independent auditors' report.