

cPa DIXON, WALLER & CO., INC.

LAS ANIMAS MUNICIPAL
LIGHT AND POWER COMPANY

FINANCIAL STATEMENTS

DECEMBER 31, 2020

DIXON, WALLER & CO., INC.

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LIGHT AND POWER COMPANY

FINANCIAL STATEMENTS
December 31, 2020

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
Las Animas Municipal Light and Power Company
Las Animas, Colorado

We have audited the accompanying financial statements of the business-type activities of Las Animas Municipal Light and Power Company as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Company'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 financial position of the business-type activities of the Las Animas Municipal Light and Power Company as of December 31, 2020, and the changes in financial position and 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 management's discussion and analysis and pension and other post employment benefits trend data on pages i through iii and 26 through 29 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Las Animas Municipal Light and Power Company's basic financial statements. The schedule of revenues and expenses, budget (Non-GAAP) and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues and expenses and changes in net position, budget (Non-GAAP) and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenses, budget (Non-GAAP) and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dixon, Waller & Co., Inc.

July 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Las Animas Colorado
Las Animas Municipal Light and Power
Management's Discussion and Analysis

Las Animas Municipal Light and Power is owned by the City of Las Animas, but operates as its own entity. Las Animas Municipal Light and Power is a member of the Arkansas River Power Authority (ARPA). ARPA is the provider of wholesale electric power for the City of Las Animas.

For the December 2020 financial statements, the Light and Power has implemented a reporting format that is compatible with the City of Las Animas.

Statements included are:

Statement of Net Assets
Statement of Revenues, Expenses and Changes in Net Assets
Statement of Cash Flows

OVERVIEW OF THE FINANCIAL STATEMENT

This discussion and analysis is intended to serve as an introduction to the Las Animas Municipal Light and Power Company's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Proprietary Funds

Enterprise funds are operations that are financed and operated in a manner similar to private business-type activities. Enterprise funds provide goods or services to the general public on a continuing basis to be financed or recovered through user charges.

Notes to the financial statements

The notes provide additional information that is essential to the full understanding of the data provided in the basic financial statements.

The notes to the financial statements can be found on pages 6-26 of this report.

Las Animas Municipal Light & Power Condensed Statement of Net Assets December 2020.

	<u>2019</u>	<u>2020</u>
Current and Other Assets	3,167,348	3,334,034
Property, Plant, Equipment & Fixed Assets	1,100,753	1,003,207
Deferred Outflow of Resources	405,243	295,328
 Total Assets	 4,673,344	 4,632,569
Current Liabilities	238,774	241,947
Other Liabilities	1,088,887	655,659
Deferred Inflows of Resources	181,224	443,221
 Total Liabilities	 1,508,885	 1,340,827
 Net Position:		
Invested in Capital Assets	1,100,753	1,003,207
Restricted for Customer Deposits	23,240	26,880
Restricted for Asset Retirement	46,368	46,368
Unrestricted (Deficit)	1,994,098	2,215,287
 Total Net Position	 3,164,459	 3,291,742

Changes in net assets

The Light and Power's Total Net Position of \$3,291,742 increased from the prior year's balance of \$3,164,459 by \$127,283. This 1% increase above an inflation-adjusted net change of 3% may be due to the March 5, 2020 Executive Order suspending service disconnections for delayed or missed payments, as well as waiving reconnection fees, and late payment fees extending throughout 2020.

	<u>2019</u>	<u>2020</u>
Charges for Services	3,857,994	3,954,895
Other Revenue	47,793	45,390
 Total Operating Revenue	 3,905,787	 4,000,285
Expenses:		
Total Operating Expenses	3,621,982	3,891,215
 Operating Income (Loss)	 283,805	 109,070
 Non-Operating Revenues	 15,587	 18,213
 Net Income (Loss)	 299,392	 127,283

Net Position, January 1	2,865,067	3,164,459
Net Position, December 31	3,164,459	3,291,742

General Fund Budgetary Highlights: Light & Power is continuing to purchase Automatic Meter Reading (A.M.R.) meters, as of the end of 2020 and have over 90% changed from manual read meters. Many of our larger customers have changed their inside/outside lighting fixtures to L.E.D. fixtures. Light & Power is continuing to upgrade many of it's aging lines.

New Equipment Fund balance as of December 31, 2020, was \$597,955.60. We are continuing to deposit \$5,000 per month into this account. We continue to increase the balance in anticipation of the 10-year vehicle rotation plan.

Capital Assets (Net of Depreciation)

	<u>2019</u>	<u>2020</u>
Land & Sites	17,055	17,055
Electric Plant in Service	1,083,698	986,152
Total Capital Assets	<u><u>1,100,753</u></u>	<u><u>1,003,207</u></u>

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Las Animas Light and Power finances. If you have questions about this report or need additional financial information, please contact the Light and Power, Jessica M. Brundage, MBA at 532 Carson Avenue, Las Animas, Colorado 81054 or by calling (719) 456-2013.

BASIC FINANCIAL STATEMENTS

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
STATEMENT OF NET POSITION
December 31, 2020

ASSETS

Current Assets:

Cash and Cash Equivalents	2,661,392
Receivables	
Accounts (Net of Allowance for Uncollectibles - \$7,817)	342,982
Inventories	261,715
Prepaid Expense	67,945
<u>Total Current Assets</u>	<u>3,334,034</u>

Property, Plant and Equipment:

Land and Water Rights	17,055
Buildings & Improvements	389,046
Utility System	2,881,122
Equipment	2,555,689
	5,842,912
Less Accumulated Depreciation	(4,839,705)
<u>Net Property, Plant & Equipment</u>	<u>1,003,207</u>

TOTAL ASSETS

4,337,241

DEFERRED OUTFLOW OF RESOURCES

Pension	288,335
Other Post Employment Benefits	6,993
<u>Total Deferred Outflow of Resources</u>	<u>295,328</u>

LIABILITIES

Current Liabilities

Accounts Payable	240,856
Accrued Interest Payable	1,091
<u>Total Current Liabilities</u>	<u>241,947</u>

NonCurrent Liabilities

Accrued Vacation Payable	67,680
Meter Deposits Payable	26,880
Net Pension Liability	500,486
Net OPEB Liability	60,613
<u>Total Long-Term Liabilities</u>	<u>655,659</u>

TOTAL LIABILITIES

897,606

DEFERRED INFLOW OF RESOURCES

Pension	427,600
Other Post Employment Benefits	15,621
<u>Total Deferred Inflow of Resources</u>	<u>443,221</u>

NET POSITION

Net Investment in Capital Assets	1,003,207
Restricted for Customer Deposits	26,880
Restricted for Asset Retirement	46,368
Unrestricted (Deficit)	2,215,287
<u>Total Net Position</u>	<u>3,291,742</u>

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

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2020

<u>Operating Revenues</u>	
Charges for Services	3,954,895
Other	<u>45,390</u>
<u>Total Operating Revenues</u>	<u>4,000,285</u>
 <u>Operating Expenses</u>	
Personal Services	778,190
Purchased Services	201,075
Supplies and Materials	160,721
Power and Utilities	2,657,120
Maintenance and Repairs	5,524
Depreciation	97,545
Pension and OPEB Expense	(67,787)
Other	<u>58,827</u>
<u>Total Operating Expenses</u>	<u>3,891,215</u>
 <u>Operating Income (Loss)</u>	 <u>109,070</u>
 <u>Non-Operating Revenues (Expenses)</u>	
Interest Revenue	18,527
Interest Expense	<u>(314)</u>
<u>Total Non-Operating Revenues (Expenses)</u>	<u>18,213</u>
 <u>CHANGE IN NET POSITION</u>	 127,283
 <u>NET POSITION, Beginning</u>	 <u>3,164,459</u>
 <u>NET POSITION, Ending</u>	 <u>3,291,742</u>

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

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	3,984,311
Payments to Employees and Benefit Providers	(775,359)
Payments to Vendors – Supplies and Services	(3,167,500)
<u>Net Cash Provided By (Used for) Operating Activities</u>	<u>41,452</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Customer Deposits	<u>3,640</u>
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>3,640</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest Paid on Debt	<u>(1)</u>
<u>Net Cash Provided by (Used for) – Capital and Related Financing Activities</u>	<u>(1)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>18,527</u>
<u>Net Cash Provided by Investing Activities</u>	<u>18,527</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

63,618

CASH AND CASH EQUIVALENTS – Beginning

2,597,774

CASH AND CASH EQUIVALENTS – Ending

2,661,392

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)	109,070
Non Cash Items in Operations:	
Depreciation Expense	97,545
Pension	(67,787)
(Increase) Decrease in Inventory	(36,402)
(Increase) Decrease in Receivables/Accruals	(66,666)
Increase (Decrease) in Payables/Accruals	<u>5,692</u>
<u>Net Cash Provided (Used) from Operating Activities</u>	<u>41,452</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Cash Paid for Income Tax	-
Cash Paid for Interest Expense	1
Property Acquired by Debt	<u>-</u>
<u>Total NonCash Investing, Capital and Financing Activities</u>	<u>1</u>

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

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Las Animas Municipal Light and Power Company (the Company) 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 accounting and reporting principles. The significant accounting principles and policies used by the Company are described below:

A. Reporting Entity

The Company was created as part of the charter of the City of Las Animas, Colorado (the City) with a nonpolitical power board of five members who have charge of the Company and such other electric public utilities as may be acquired by the City. Four of the five members of the power board are elected members with the fifth member being the mayor of the City. The power board has the ability to fix the rates subject to approval by city council resolution. As such, the Company is considered a blended component unit of the City of Las Animas.

As required by GAAP, management has considered all potential component units in defining the reporting entity. Based on the criteria established by GAAP, the Company has no component units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The term measurement focus is used to denote what is being measured and reported in the Company's operating statement. The Company uses the flow of economic resources measurement focus whose fundamental objective is to measure whether the company is better or worse off economically as a result of events and transactions of the period. All assets, liabilities and deferred flows associated with their activity are included on their statement of net position.

The term basis of accounting is used to determine when a transaction or event is recognized on the Company's operating statement. The Company uses the accrual basis of accounting which means that revenues and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Net Position (i.e., total assets net of total liabilities) are segregated into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

- Restricted Net Position – This component consists of restrictions placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or contracts imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

C. Budget

An annual budget is prepared by the company and approved by the governing body of the Company and City Council generally in December of each year for the succeeding fiscal year. The budget is prepared on a NON-GAAP basis. The legal level of control for expenditures is at the total level which is to say any modifications which change the budget in total require the approval of the governing body and City Council.

D. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and certificates of deposit.

E. Receivables

Accounts receivable include amounts due from customers for services provided. The allowance method is used to account for uncollectible accounts.

F. Inventories

Inventories consist of expendable supplies held for consumption that are valued at the lower of cost (first-in, first-out basis) or market.

G. Capital Assets

Property, plant and equipment are stated at actual or estimated historical cost net of accumulated depreciation. Donated capital assets, if any, are valued at their estimated fair value on the date donated. Depreciation is computed on the straight-line method using the following rates of depreciation:

Production	3.225% to 4%
Transmission	2.78% to 4%
Distribution	2.75% to 3%
General	2.50% to 10%

Maintenance and repairs are charged to operation, while renewals and betterments are capitalized. If applicable, net interest costs during construction periods are capitalized for assets acquired upon the issuance of long-term debt.

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

It is the Company's policy to permit employees to accumulate earned but unused annual and sick pay benefits. Employees are allowed to accumulate annual and sick pay benefits up to predetermined maximums and are compensated for these accumulated benefits either through paid time off or at retirement or termination.

I. Operating Revenues and Expenses

The Company distinguishes between operating and nonoperating revenues in the statement of revenues, expenses and changes in net assets. For this purpose, revenues for charges to electric customers are reported as operating revenues, while operating expenses principally include the associated costs of generating these revenues. Nonoperating revenues generally include interest and other revenue not originating from charges to customers.

J. Statement of Cash Flows

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

K. Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial 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.

In addition to liabilities, the statement of financial 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 an inflow of resources (revenue) until that time.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are summarized as follows:

Demand Deposits	1,840,892
Certificates of Deposits	<u>820,500</u>
Total Cash Equivalents	<u>2,661,392</u>

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

Deposits

At December 31, 2020 the carrying amount of the Company's deposits, including certificates of deposit, was \$2,661,392 and the bank balance was \$2,720,594. Of the bank balance, \$250,000 was covered by federal depository insurance and \$2,470,594 was collateralized in single financial institution collateral pools maintained by the individual financial institution that holds these deposits. Colorado law requires that depository institutions must apply for and be designated an eligible public depository before the institution can accept public monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The market value of the collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the Company's deposits may not be returned to it. The Company does not have a policy for custodial credit risk. At December 31, 2020 deposits with a bank balance of \$2,470,594 and carrying balance of \$2,411,392 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the Company's name.

Interest Rate Risk – The Company does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

NOTE 3 CAPITAL ASSETS

Capital assets consist of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business Type Activities</u>				
<u>Capital Assets Not Being Depreciated</u>				
Land and Water Rights	17,055	-	-	17,055
Construction in Progress	-	-	-	-
Preliminary Survey	-	-	-	-
<u>Total Capital Assets Not Being Depreciated</u>	<u>17,055</u>	<u>-</u>	<u>-</u>	<u>17,055</u>
<u>Capital Assets Being Depreciated</u>				
Building & Systems	3,270,168	-	-	3,270,168
Equipment	2,555,689	-	-	2,555,689
<u>Total Capital Assets Being Depreciated</u>	<u>5,825,857</u>	<u>-</u>	<u>-</u>	<u>5,825,857</u>
<u>Less Accumulated Depreciation</u>	<u>4,742,160</u>	<u>97,545</u>	<u>-</u>	<u>4,839,705</u>
<u>Business-Type Activities</u>				
<u>Capital Assets, Net</u>	<u>1,100,752</u>	<u>(97,545)</u>	<u>-</u>	<u>1,003,207</u>

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	<u>Balance</u> <u>Jan. 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	<u>64,849</u>	<u>2,831</u>	<u>—</u>	<u>67,680</u>	<u>—</u>

NOTE 5 DEFINED BENEFIT PENSION PLAN

The following plan covers Company employees. The plan is:

- Colorado Public Employees’ Retirement Association (PERA)
- Colorado Health Care Trust Fund (HCTF)

<u>Plan</u>	<u>Net</u> <u>Pension</u> <u>Liability</u>	<u>Pension</u> <u>(Income)</u> <u>Expense</u>	<u>Deferred</u> <u>Outflows</u>	<u>Deferred</u> <u>Inflows</u>
PERA	500,486	(65,709)	288,335	427,600
HCTF	<u>60,613</u>	<u>(2,078)</u>	<u>6,993</u>	<u>15,621</u>
	<u>561,099</u>	<u>(67,787)</u>	<u>295,328</u>	<u>443,221</u>

Summary of Significant Accounting Policies:

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

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, 2020.

General Information about the Pension Plan

Plan description. Eligible employees of the Las Animas Municipal Light and Power Company 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.

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

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.

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 increases 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 lesser 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 C.R.S. §24-51-413.

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NOTE 5 **DEFINED BENEFIT PENSION PLAN (Continued)**

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.

Contributions provisions as of December 31, 2020: Eligible employees and the Las Animas Municipal Light and Power Company 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 01/01/2019 through 12/31/2020 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	8.00%	8.00%	8.50%

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%

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 Las Animas Municipal Light and Power Company is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Las Animas Municipal Light and Power Company were \$70,937 for the year ended December 31, 2020.

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NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2020, the Las Animas Municipal Light and Power Company reported a liability of \$500,486 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 Las Animas Municipal Light and Power Company proportion of the net pension liability was based on the Las Animas Municipal Light and Power Company' 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 Las Animas Municipal Light and Power Company' proportion was 0.0684 percent, which was a decrease of 0.0050 from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Las Animas Municipal Light and Power Company recognized pension income of \$65,709. At December 31, 2020, the Las Animas Municipal Light and Power Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	32,769	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	184,629	(418,896)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(8,704)
Contributions subsequent to the measurement date	70,937	N/A
Total	288,335	(427,600)

\$70,937 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	(51,158)
2022	(69,846)
2023	(14,006)
2024	(75,192)
2025	-
Thereafter	-

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NOTE 5 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 percent
Real wage growth	1.10 percent
Wage Inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent – 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)*	1.25 percent compounded annually
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)*	Financed by the Annual Increase Reserve

* 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.

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.

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.

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NOTE 5 **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%.
- 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%, 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.

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NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

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

Sensitivity of the Las Animas Municipal Light and Power Company 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	918,962	500,486	148,157

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.

Payables to the pension plan.

Defined Contribution Pension Plans

Voluntary Investment Program

Plan Description – Employees of the Las Animas Municipal Light and Power Company 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.

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NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

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. In addition, the Las Animas Municipal Light and Power Company does not match employee contributions. Employees are immediately vested in their own contributions and investment earnings. For the year ended December 31, 2020, program members contributed \$2,134 in the Voluntary Investment Program.

NOTE 6 OTHER POST EMPLOYMENT BENEFITS

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. The Las Animas Municipal Light and Power Company 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.

General Information about the OPEB Plan

Plan description. Eligible employees of the Las Animas Municipal Light and Power Company 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.

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NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

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.

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.

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NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

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 Las Animas Municipal Light and Power Company is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Las Animas Municipal Light and Power Company were \$5,591 for the year ended December 31, 2020.

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

At December 31, 2020, the Las Animas Municipal Light and Power Company reported a liability of \$60,613 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 Las Animas Municipal Light and Power Company' proportion of the net OPEB liability was based on Las Animas Municipal Light and Power Company' 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 Las Animas Municipal Light and Power Company' proportion was 0.00530 percent, which was a decrease of 0.00040 from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Las Animas Municipal Light and Power Company recognized OPEB income of \$2,078. At December 31, 2020, the Las Animas Municipal Light and Power Company reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	168	(10,857)
Changes of assumptions or other inputs	420	-
Net difference between projected and actual earnings on OPEB plan investments	814	(2,119)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(2,645)
Contributions subsequent to the measurement date	5,591	N/A
Total	6,993	(15,621)

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NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

\$5,591 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, 2020	
2021	(2,934)
2022	(2,932)
2023	(2,622)
2024	(2,939)
2025	(2,633)
Thereafter	(159)

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 pension 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 for 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.

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 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.

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NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

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. 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%

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NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

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.

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.

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (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 percent.

Sensitivity of the Las Animas Municipal Light and Power Company 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	58,157	60,613	61,207

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (Continued)

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.
- 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 Las Animas Municipal Light and Power Company 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	67,358	60,613	52,913

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.

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 7 RISK MANAGEMENT

The Company is exposed to various risks of loss related to torts, property and casualty, errors and omissions, injuries to employees and health claims. Risks of loss from torts, errors and omissions and property and casualty are covered by the company's participation in the property and casualty pool of the Colorado Intergovernmental Risk Sharing Agency (CIRSA) which is a separate and independent governmental public entity risk pool formed through intergovernmental agreement by member municipalities to provide defined liability and property coverage. The membership agreement provides that the pool be self-sustaining through member premiums and reinsure with commercial companies for claims in excess of \$250,000 per occurrence for property and \$1,000,000 per occurrence for casualty.

Employee health claims are covered by commercial insurance and settlement claims for each of the last three years did not exceed insurance coverage amounts in areas where commercial insurance is used to cover the risk of loss.

NOTE 8 RELATED PARTIES

The Las Animas Municipal Light and Power Company and six other municipalities established the Arkansas River Power Authority (ARPA) as a political subdivision of the State of Colorado to furnish wholesale electric power requirements of the seven municipal members. ARPA's business affairs are governed by its Board of Directors, which includes two representatives from each member municipality.

During 2020 net purchases of power by the Company from ARPA were \$2,657,120. There are no amounts due to or from ARPA outside the ordinary course of business.

NOTE 9 INTERGOVERNMENTAL AGREEMENT

The Las Animas Municipal Light and Power Company is a member of (CIRSA). The Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity, was formed by intergovernmental agreement by member municipalities pursuant to the provisions of 29-1-201 et. seq., C.R.S. as amended, 8-44-101(1)(c) and (3), and 8-44-110, C.R.S. as amended, and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members a self-insurance pool to provide defined coverages, and claims and risk management services related thereto.

It is the intent of the members of CIRSA to create an entity to defend and indemnify, in accordance with the Bylaws, any member of CIRSA against liability or loss, to the limit of the financial resources of CIRSA available to pay such liability or loss. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. The Bylaws shall constitute the substance of the intergovernmental contract among the members.

Summary audited financial information as of December 31, 2019 follows:

Assets	<u>87,354,845</u>
Liabilities	37,380,157
Fund Equity	<u>49,974,688</u>
	<u>87,354,845</u>
Revenues	29,379,298
Expenditures	29,157,832
Distributions to Members (Credits to Members)	<u>(791,271)</u>
Current Period Excess (Deficiency)	<u>(569,805)</u>

REQUIRED SUPPLEMENTARY INFORMATION

PENSION TREND DATA

OTHER POST EMPLOYMENT BENEFIT TREND DATA

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Plan Measurement Date	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	-	-	-	-
Company's proportion of the net pension liability (asset)	0.0684%	0.0734%	0.0795%	0.0710%	0.0790%	0.0779%	-	-	-	-
Company's proportionate share of the net pension liability (asset)	\$500,486	\$923,310	\$885,113	\$1,077,175	\$871,703	\$697,924	-	-	-	-
Company's covered payroll	\$548,118	\$491,921	\$519,379	\$496,609	\$479,533	\$447,286	-	-	-	-
Company's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	91%	187%	171%	216%	182%	156%	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	86.26%	75.96%	79.4%	73.6%	76.9%	80.72%	-	-	-	-

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

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
SCHEDULE OF DISTRICT CONTRIBUTIONS
For The Last 10 Fiscal Years (As Available)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 70,937	\$ 62,370	\$ 65,857	\$ 62,970	\$ 60,805	\$ 56,716	\$ 54,054	\$ 52,693	-	-
Contributions in relation to the contractually required contributions	<u>\$ (70,937)</u>	<u>\$ (62,370)</u>	<u>\$ (65,857)</u>	<u>\$ (62,970)</u>	<u>\$ (60,805)</u>	<u>\$ (56,716)</u>	<u>\$ (54,054)</u>	<u>\$ (52,693)</u>	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Company's covered payroll	\$548,118	\$491,921	\$519,379	\$496,609	\$479,533	\$ 447,286	\$ 426,293	\$415,562	-	-
Contributions as a percentage of covered payroll	12.93%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	-	-

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

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
 (A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
 SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY
 For The Last 10 Fiscal Years (As Available)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Plan Measurement Date	12/31/2019	12/31/2018	12/31/2017	12/31/2016	-	-	-	-	-	-
Company's proportion of the net OPEB liability (asset)	0.00530%	0.00570%	0.00618%	0.00613%	-	-	-	-	-	-
Company's proportionate share of the net OPEB liability (asset)	\$60,613	\$77,488	\$80,318	\$79,426	-	-	-	-	-	-
Company's covered payroll	\$548,118	\$491,921	\$519,379	\$496,609	-	-	-	-	-	-
Company's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	11.06%	15.75%	15.46%	15.99%	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.71%	-	-	-	-	-	-

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

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
For The Last 10 Fiscal Years (As Available)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 5,591	\$ 5,017	\$ 5,298	\$ 5,065	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$(5,591)</u>	<u>\$(5,017)</u>	<u>\$(5,298)</u>	<u>\$(5,065)</u>	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	-
Company's covered payroll	\$548,118	\$491,921	\$519,379	\$496,609	-	-	-	-	-	-
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	-	-	-	-	-	-

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

SUPPLEMENTAL INFORMATION

LAS ANIMAS MUNICIPAL LIGHT AND POWER COMPANY
(A COMPONENT UNIT OF THE CITY OF LAS ANIMAS, COLORADO)
SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
BUDGET (NON-GAAP) AND ACTUAL
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>OPERATING REVENUES</u>			
Charges for Services	4,160,118	3,954,895	(205,223)
Other Revenue	13,311	45,390	32,079
<u>Total Operating Revenues</u>	<u>4,173,429</u>	<u>4,000,285</u>	<u>(173,144)</u>
<u>OPERATING EXPENSES</u>			
Salaries	557,780	556,945	835
Payroll Taxes and Benefits	244,265	221,245	23,020
Purchased Power	2,416,900	2,657,120	(240,220)
Insurance	50,933	66,346	(15,413)
Office Supplies	24,000	28,470	(4,470)
Maintenance	-	5,524	(5,524)
Capital Outlay	-	45,968	(45,968)
Miscellaneous	54,900	44,178	10,722
Education and Training	12,000	3,538	8,462
Fuel	10,000	8,394	1,606
Contracted Services	15,000	13,260	1,740
Field Supplies	233,626	77,889	155,737
Administrative Fee	128,851	121,469	7,382
Warehouse Expense	5,000	11,111	(6,111)
Depreciation Expense	130,250	97,545	32,705
Contingency Reserve	305,326	-	305,326
<u>Total Operating Expenses</u>	<u>4,188,831</u>	<u>3,959,002</u>	<u>229,829</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(15,402)</u>	<u>41,283</u>	
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest Revenue	10,602	18,527	7,925
Other Revenue	4,800	-	(4,800)
Interest Paid	-	(314)	(314)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>15,402</u>	<u>18,213</u>	<u>2,811</u>
<u>INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	<u>-</u>	<u>59,496</u>	<u>59,496</u>
<u>OPERATING TRANSFERS</u>			
Total Operating Transfers In (Out)	-	-	-
<u>NET INCOME (LOSS)</u>	<u>-</u>	<u>59,496</u>	<u>59,496</u>
<u>NET POSITION, Beginning</u>	<u>-</u>	<u>3,164,459</u>	
<u>BUDGETARY BASIS – NET POSITION, (DEFICIT) Ending</u>	<u>-</u>	<u>3,223,955</u>	
<u>BUDGETARY ITEMS NOT AFFECTING NET POSITION AND NON-BUDGETED ITEMS</u>			
Pension	-	65,709	
OPEB	-	2,078	
<u>NET POSITION (DEFECIT), Ending</u>	<u>-</u>	<u>3,291,742</u>	