

BACA GRANDE WATER AND SANITATION DISTRICT
(Saguache County, Colorado)

FINANCIAL STATEMENTS

with Independent Auditor's Report

DECEMBER 31, 2020

BOARD OF DIRECTORS

President John Loll
Vice President Gregg Conlee
Treasurer Mike Smith
Secretary Bill Peck
Assistant Secretary – Vivia Lawson

JoAnn Slivka – District Manager

BACA GRANDE WATER AND SANITATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Baca Grande Water and Sanitation District
Saguache County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Baca Grande Water and Sanitation District (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Fiscal Focus Partners, LLC

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Required Supplemental Information on pages 43 and 44 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 information on pages 43 and 44 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 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 District's basic financial statements as a whole. The supplemental information on pages 45 through 48 (the information) is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental information on page 49 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
September 29, 2021

BASIC FINANCIAL STATEMENTS

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 739,343	\$ 107,293	\$ 846,636
Cash and cash equivalents, restricted	164,700	85,500	250,200
Accounts receivable	-	408,275	408,275
Accounts receivable - County Treasurer	5,436	4,022	9,458
Property taxes receivable	413,469	189,972	603,441
Prepaid expenses	-	1,500	1,500
Capital assets not being depreciated	-	412,322	412,322
Capital assets, net of accumulated depreciation	-	8,254,906	8,254,906
Total assets	<u>1,322,948</u>	<u>9,463,790</u>	<u>10,786,738</u>
DEFERRED OUTFLOWS OF RESOURCES			
Bond insurance	-	34,510	34,510
Pension related deferred outflow	-	94,460	94,460
OPEB related deferred outflow	-	9,143	9,143
Total deferred outflows of resources	<u>-</u>	<u>138,113</u>	<u>138,113</u>
LIABILITIES			
Accounts payable	4,132	31,127	35,259
Accrued interest	-	16,403	16,403
Long-term liabilities			
Due within one year	-	236,282	236,282
Due in more than one year	-	6,013,835	6,013,835
Net OPEB liability	-	48,985	48,985
Net pension liability	-	416,186	416,186
Total liabilities	<u>4,132</u>	<u>6,762,818</u>	<u>6,766,950</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	413,469	189,972	603,441
Deferred amount on refunding	-	112,914	112,914
Pension related deferred inflow	-	170,267	170,267
OPEB related deferred inflow	-	9,049	9,049
Total deferred inflows of resources	<u>413,469</u>	<u>482,202</u>	<u>895,671</u>
NET POSITION			
Net investment in capital assets	-	2,417,111	2,417,111
Restricted			
Loan operating reserve requirement	150,000	85,500	235,500
Emergency reserve (TABOR)	14,700	-	14,700
Unrestricted	375,999	(145,728)	230,271
Total net position	<u>\$ 540,699</u>	<u>\$ 2,356,883</u>	<u>\$ 2,897,582</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 241,753	\$ -	\$ -	\$ -	\$ (241,753)	\$ -	\$ (241,753)
Total General government	\$ 241,753	\$ -	\$ -	\$ -	\$ (241,753)	\$ -	\$ (241,753)
Business-type activities:							
Water and sanitation	\$ 1,450,826	\$ 1,124,161	\$ -	\$ 3,374		(323,291)	(323,291)
Interest on long-term debt and related costs	200,689	-	-	-		(200,689)	(200,689)
Total	\$ 1,651,515	\$ 1,124,161	\$ -	\$ 3,374		\$ (523,980)	\$ (523,980)
General revenue:							
Property taxes					401,729	184,278	586,007
Specific ownership taxes					75,708	25,900	101,608
Net investment income					12,262	7,166	19,428
Other income					249	26,943	27,192
Transfers					(254,000)	254,000	-
Total general revenue					235,948	498,287	734,235
Change in net position					(5,805)	(25,693)	(31,498)
Net position - Beginning					911,152	2,382,576	3,293,728
Net position - Ending					\$ 905,347	\$ 2,356,883	\$ 3,262,230

These financial statements should be read only in connection with the accompanying notes to financial statements.

**BACA GRANDE WATER AND SANITATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2020**

	General
ASSETS	
Cash and investments	\$ 739,343
Restricted cash and cash investments	164,700
Accounts receivable - County Treasurer	5,436
Property taxes receivable	413,469
Total assets	\$ 1,322,948
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Accounts payable	\$ 4,132
Total liabilities	4,132
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	413,469
TOTAL DEFERRED INFLOWS OF RESOURCES	413,469
 FUND BALANCE	
Restricted:	
Emergency reserves	14,700
Loan operating reserve requirement	150,000
Assigned to:	
Subsequent years expenditures	364,648
Unassigned	375,999
Total fund balance	905,347
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
	\$ 1,322,948
 Net position of governmental activities	
	\$ 905,347

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2020**

	General
REVENUE	
Property taxes	\$ 401,729
Specific ownership taxes	75,708
Interest income	12,262
Miscellaneous revenue	249
Total revenues	489,948
 EXPENDITURES	
General government:	
Audit	9,650
Accounting	44,370
County Treasurer's fees	12,214
Directors' fees	8,500
Elections	8,362
Legal fees	27,566
Management	131,041
Contingency/Miscellaneous	50
Total expenditures	241,753
 EXCESS OF REVENUE OVER EXPENDITURES	248,195
 OTHER FINANCING SOURCES (USES)	
Transfers to other funds	(254,000)
Total other financing sources (uses)	(254,000)
 NET CHANGE IN FUND BALANCE	(5,805)
 FUND BALANCE - BEGINNING OF YEAR	911,152
 FUND BALANCE - END OF YEAR	\$ 905,347
 Change in net position of governmental activities	\$ (5,805)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2020

	Budgeted		Variance with Budget Positive (Negative)
	Amounts		
	Original and Final	Actual	
REVENUE			
Property taxes	\$ 415,155	\$ 401,729	\$ (13,426)
Specific ownership taxes	70,000	75,708	5,708
Interest income	15,000	12,262	(2,738)
Miscellaneous revenue	-	249	249
Total Revenue	<u>500,155</u>	<u>489,948</u>	<u>(10,207)</u>
EXPENDITURES			
General government:			
Audit	15,000	9,650	5,350
Accounting	40,000	44,370	(4,370)
County Treasurer's fees	12,015	12,214	(199)
Directors' fees	11,976	8,500	3,476
Elections	30,000	8,362	21,638
Legal fees	40,000	27,566	12,434
Management	183,658	131,041	52,617
Capital - Administrative office remodel/replacement	50,000	-	50,000
Contingency/Miscellaneous	-	50	(50)
Total Expenditures	<u>382,649</u>	<u>241,753</u>	<u>140,896</u>
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES	<u>117,506</u>	<u>248,195</u>	<u>130,689</u>
OTHER FINANCING SOURCES (USES)			
Emergency reserve	(14,640)	-	14,640
Transfers to other funds	(467,514)	(254,000)	213,514
Total other financing sources (uses)	<u>(482,154)</u>	<u>(254,000)</u>	<u>228,154</u>
NET CHANGE IN FUND BALANCE	(364,648)	(5,805)	358,843
FUND BALANCE - BEGINNING OF YEAR	568,927	911,152	342,225
FUND BALANCE - END OF YEAR	<u>\$ 204,279</u>	<u>\$ 905,347</u>	<u>\$ 701,068</u>

These financial statements should be read only in connection with the
accompanying notes to financial statements.

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2020

	<u>Water and Sewer Enterprise Fund</u>
ASSETS	
Cash and investments	\$ 107,293
Cash and investments - restricted	85,500
Accounts receivable, net of allowance for uncollectibles	408,275
Accounts receivable - County Treasurer	4,022
Property taxes receivable	189,972
Prepaid expenses	1,500
Capital assets not being depreciated	412,322
Capital assets, net of accumulated depreciation	<u>8,254,906</u>
Total assets	<u>9,463,790</u>
DEFERRED OUTFLOWS OF RESOURCES	
Bond insurance	34,510
Pension related deferred outflow	94,460
OPEB related deferred outflow	<u>9,143</u>
Total deferred outflows of resources	<u>138,113</u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	31,127
Accrued interest payable	16,403
Non-current liabilities:	
Long-term debt:	
Due within one year	236,282
Due in more than one year	6,013,835
Net OPEB liability	48,985
Net pension liability	<u>416,186</u>
Total liabilities	<u>6,762,818</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred taxes receivable	189,972
Deferred amount on refunding	112,914
Pension related deferred inflow	170,267
OPEB related deferred inflow	<u>9,049</u>
Total deferred inflows of resources	<u>482,202</u>
NET POSITION	
Net investment in capital assets	2,417,111
Restricted	
Loan operating reserve requirement	85,500
Unrestricted	<u>(145,728)</u>
Total net position	<u>\$ 2,356,883</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2020

	<u>Water and Sewer Enterprise Fund</u>
OPERATING REVENUE	
Water and sewer fees	\$ 881,236
Availability of service fees	238,404
Miscellaneous revenue	4,521
Total operating revenue	<u>1,124,161</u>
OPERATING EXPENSES	
Depreciation	501,293
Insurance	35,273
Office expense	27,814
Operating expenses	14,865
Professional fees	57,876
Repair and maintenance	204,459
Salaries and benefits	362,400
Small tools and supplies	5,863
Testing	8,079
Utilities	96,346
Utility billing	17,999
Vehicle operations	35,049
Water costs	75,968
Total operating expenses	<u>1,443,284</u>
OPERATING INCOME (LOSS)	<u>(319,123)</u>
NONOPERATING REVENUE (EXPENSE)	
Property and specific ownership taxes	210,178
Payment in lieu of taxes	11,693
Grant income	3,374
Interest income	7,166
Pension expense - net	(7,542)
Interest and fiscal charges	(200,689)
Total nonoperating revenue (expense), net	<u>24,180</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(294,943)</u>
CAPITAL CONTRIBUTIONS - TAP FEES	15,250
TRANSFERS IN	<u>254,000</u>
CHANGE IN NET POSITION	<u>(25,693)</u>
NET POSITION - BEGINNING OF YEAR	<u>2,382,576</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,356,883</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2020**

	<u>Water and Sewer Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,109,744
Cash payments to suppliers for goods and services	(634,988)
Cash payments to employees for services	(362,400)
Net cash provided by operating activities	<u>112,356</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	254,000
Net cash provided by noncapital financing activities	<u>254,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Property and specific ownership taxes received	208,272
Tap fees received	15,250
Payment in lieu of taxes	11,693
Purchases of capital assets	(211,602)
Principal paid on debt	(209,278)
Grant income	3,374
Miscellaneous income	4,521
Interest and fiscal charges paid on debt	(213,988)
Net cash used in capital and related financing activities	<u>(391,758)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	7,166
Net cash provided by investing activities	<u>7,166</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,236)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>211,029</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 192,793</u>

Continued

These financial statements should be read only in connection with
the accompanying notes to financial statements.

BACA GRANDE WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2020
(continued)

**RECONCILIATION OF OPERATING INCOME TO CASH FLOWS
PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (319,123)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	501,293
Effects of changes in operating assets and liabilities:	
Accounts receivable	(11,802)
Prepaid expense	(50)
Accounts payable	<u>(57,962)</u>
 Total adjustments	 <u>431,479</u>
Net cash provided by operating activities	 <u><u>\$ 112,356</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

1. DEFINITION OF REPORTING ENTITY

Baca Grande Water and Sanitation District (the "District") is a quasi-municipal political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Saguache County, Colorado. The District was established on January 21, 1972 to provide water and sewer services within and outside of its boundaries.

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). A summary of the significant accounting policies used in the preparation of these financial statements follows.

The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type* activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities are financed to a significant extent by fees and charges.

The statement of net position reports all financial and capital resources of the District. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

The statement of activities demonstrates the degree to which direct expenses of a given

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation — The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District considers property taxes as available if they are collected within 30 days after year-end. Property taxes are recognized as revenue in the fiscal period for which they are levied, providing the available criteria are met.

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental fund:

General Fund – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the District reports the following major proprietary fund:

Water and Sewer Enterprise Fund – The enterprise fund is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has one enterprise fund-the Water and Sewer Enterprise Fund. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Pooled Cash and Investments – The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

BACA GRANDE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

Receivables — All receivables are reported net of allowance for uncollectible accounts of \$28,971 at December 31, 2020.

Prepaid Expenses — Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Due To and From Other Funds — Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the fund financial statements, these receivables and payable are classified as "due from other funds" or "due to other funds". In the government-wide financial statements, all internal balances have been substantially eliminated.

Restricted Cash and Investments — The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

Investments – Investments are stated at fair value. Fair value is the amount the District can reasonably expect to receive to sell an investment in an orderly transaction between market participants.

Amortization of Bond Issue Premium – In the government-wide financial statements and proprietary fund types in the fund financial statements, bond premiums are reported as a component of noncurrent liabilities. Bond premiums are amortized over the life of the bonds using the effective interest method. Accumulated amortization of bond premium totaled \$96,881 at December 31, 2020.

Cost of Bond Refunding – In the government-wide financial statements and proprietary fund types in the fund financial statements, the deferred cost on bond refundings is being amortized over the life of the refunded bonds. The amortization amount is a component unit of interest expense and the unamortized deferred cost of \$112,914 at December 31, 2020, is reflected as deferred outflows of financial resources.

Capital Assets — Capital assets, which include property, water plant, sewage treatment plant and collection systems, related improvements and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as those assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Assets are depreciated using the straight-line method over the following estimated useful lives:

Water plant and distribution systems	20-40 years
Sewage treatment plant and collection systems	20-40 years
Equipment	5-15 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

Construction commitments-The District had no construction commitments at December 31, 2020.

Compensated absences— District employees earn paid time off at the rate of 160 to 200 hours per year, based on length of service, which is to be used for vacations, medical leave or personal time off. Employees are allowed to accrue up to 80 hours of unused paid time off at the end of each calendar year. Compensated absences are recorded as current salary cost when paid.

Contributed Capital – Tap fees are generally recorded as capital contributions when received.

Long-Term Liabilities — In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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Fund Equity — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted -This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Statement of Cash Flows — For purposes of the Statement of Cash Flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, government pools, and short-term investments with original maturities of three months or less from the date of acquisition, including restricted cash and cash equivalents.

Estimates — The preparation of financial statements in conformity with generally accepted

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accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Information — The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In the fall, the District Manager submits to the Board of Directors, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the District to obtain taxpayer comments.
3. Prior to December 15, the budget is legally approved.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds.
6. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. The budget for the Water and Sewer Enterprise Fund is prepared on a basis of accounting other than generally accepted accounting principles, which is normal for proprietary funds. The primary differences are that bond proceeds are treated as a budget source, capital expenditures and principal payments are treated as a budget use, and accrued unpaid interest and the amortization and depreciation expense are not budgeted.

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- 8. Budgeted amounts are as originally adopted or amended.
- 9. All annual appropriations lapse at the end of the year.

4. DEPOSITS AND INVESTMENTS

The District's deposits and investments consist of the following at December 31, 2020:

	Deposits	Colostrust	Total
Cash and cash equivalents	\$ 101,623	\$ 745,013	\$ 846,636
Restricted cash and cash equivalents	71,699	178,501	250,200
Total	\$ 173,322	\$ 923,514	\$ 1,096,836

Reconciliation of cash and cash equivalents to the government-wide financial statements at December 31, 2020:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 739,343	\$ 107,293	\$ 846,636
Restricted cash and cash equivalents	164,700	85,500	250,200
Total	\$ 904,043	\$ 192,793	\$ 1,096,836

Deposits — 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. 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.

At December 31, 2020, the carrying amount of the District's deposits including money markets were \$173,322, the bank balances were \$183,571. The total bank balance, \$183,571, was covered by FDIC insurance and falls under the provision of the Colorado Public Deposit Protection Act which is collateralized in single institution pools.

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Investments — The District is authorized by Colorado statutes to invest in the following:

- Obligations of the United States and certain U.S. government agencies' securities
- Certain international agencies' securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Certain commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposits
- Certain money market fund
- Guaranteed investment contracts

Fair Value Measurements – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level) as follows:

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

Level 2 - Observable inputs other than quoted market prices.

Level 3 - Valuation derived from valuation techniques in which significant inputs are observable.

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

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2020

Investments measured at NAV:

COLOTRUST	\$ 923,514
Total investments measured at NAV	<u>\$ 923,514</u>

Fixed income securities classified in Level 2 of the fair value hierarchy are valued primarily using quoted prices in inactive markets, as well as other pricing methods using observable inputs.

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Investments Measured at NAV:

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. A twelve member Board of Trustees, elected by the fund participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards

and policies. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes. COLOTRUST reports all investments as level 2 investments while the District's investment in COLOTRUST is reported at NAV. The separate audited financial statements of COLOTRUST are available on their website at www.colotruster.com. The District has no unfunded commitments or redemption restrictions on their investments in COLOTRUST.

Investments with maturities of less than 90 days are classified as cash and cash equivalents on the financial statements.

The District's investments are subject to interest rate risk and credit risk as described below:

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk: State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2020 the District's COLOTRUST investment is rated AAAM by Standard & Poor's.

Restricted cash and investments

As of December 31, 2020, unspent bond proceeds were restricted for the costs to improve various components of the water and sewer systems of \$0.

In accordance with the terms of the CWRPDA Loans (see Note 5) the District is required to maintain an operating reserve equal to three months of operation and maintenance expenses, excluding depreciation of the water and sewer systems, as set forth in the annual budget for the current fiscal year. As of December 31, 2020, the required operating reserve was \$235,500, which met the requirement of the loan covenants. The District restricted \$14,700 in compliance with State requirements for emergency reserves (Note 10). At December 31, 2020, the total amount restricted was \$250,200.

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5. CAPITAL ASSETS

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

	Balance at December 31, 2019	Additions	Disposals/ Reclassifications/ Retirements	Balance at December 31, 2020
Business-type activities:				
Capital assets, not being depreciated:				
Land, water rights, master plan	\$ 126,234	\$ 47,067	\$ -	\$ 173,301
Construction in process	507,540	21,480	(289,999)	239,021
Total capital assets, not being depreciated	<u>633,774</u>	<u>68,547</u>	<u>(289,999)</u>	<u>412,322</u>
Capital assets, being depreciated:				
Water plant and distribution system	8,633,108	-	-	8,633,108
Sewer plant and collection system	9,468,316	433,054	-	9,901,370
Machinery and equipment	492,105	-	-	492,105
Total capital assets being depreciated	<u>18,593,529</u>	<u>433,054</u>	<u>-</u>	<u>19,026,583</u>
Less accumulated depreciation for:				
Water plant and distribution system	5,050,049	218,258	-	5,268,307
Sewer plant and collection system	4,939,819	251,983	-	5,191,802
Machinery and equipment	280,516	31,052	-	311,568
Total accumulated depreciation	<u>10,270,384</u>	<u>501,293</u>	<u>-</u>	<u>10,771,677</u>
Total capital assets being depreciated, net	<u>8,323,145</u>	<u>(68,239)</u>	<u>-</u>	<u>8,254,906</u>
Total capital assets, net	<u>\$ 8,956,919</u>	<u>\$ 308</u>	<u>\$ (289,999)</u>	<u>\$ 8,667,228</u>

Depreciation expense of \$501,293 for the year ended December 31, 2020 was charged to the enterprise fund operations.

6. LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Amounts Due Within One Year
Business-Type Activities:					
General Obligation Bonds:					
2017 Bonds	\$ 5,230,000	\$ -	\$ 30,000	\$ 5,200,000	\$ 140,000
2010 Bonds	100,000	-	100,000	-	-
Bond Issuance Premium	323,609	-	15,410	308,199	15,410
Total Bonds Payable	<u>\$ 5,653,609</u>	<u>\$ -</u>	<u>\$ 145,410</u>	<u>\$ 5,508,199</u>	<u>\$ 155,410</u>
Direct Borrowing and Direct Placements:					
2009 CWR&PDA Loan	\$ 821,197	\$ -	\$ 79,279	\$ 741,918	\$ 80,872
	<u>\$ 6,474,806</u>	<u>\$ -</u>	<u>\$ 224,689</u>	<u>\$ 6,250,117</u>	<u>\$ 236,282</u>

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Bonds payable

\$5,305,000 General Obligation Refunding Bonds, Series 2017, dated December 29, 2017.

The District issued \$5,305,000 in general obligation refunding bonds for the purpose of advance refunding the outstanding General Obligation refunding bonds issued in 2010. The 2010 Bonds consisted of a partial refund due to the balance of the 2010 Bonds that were non-callable. The unrefunded balance of the 2010 bonds was \$250,000. In 2020, the 2010 Bonds were paid in full. Proceeds from the sale of the 2017 bonds were also used to provide funds to pay future bond interest and to pay the costs of issuance of the bonds.

The bonds interest rate ranges from 3% to 4% and are payable semiannually on each June 1 and December 1, commencing June 1, 2020.

The bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2027, and on any date thereafter, without redemption premium.

The bonds and interest are insured as to repayment by the District.

Loans payable

\$1,483,750 Loan Agreement, Colorado Water Resources and Power Development Authority (CWRPDA), dated August 19, 2009

On August 19, 2009, the District entered into a loan agreement with CWRPDA for a maximum principal amount of \$1,483,750. The loan proceeds were used for distribution system improvements, water main and meter replacements, and well improvements.

Payments of principal and interest are made semi-annually on June 1 and December 1, beginning December 1, 2010 through June 1, 2029. The loan bears interest at the rate of 2.0% per annum. The District has the option to repay the loan, in whole or in part, without penalty upon prior written notice of not less than 30 days to CWRPDA.

The 2009 loan agreement contains a restrictive covenant which requires the District to maintain a three-month operating reserve (see Note 4). At December 31, 2020, the District restricted \$235,500 of fund balance in compliance with this covenant.

Remedies under the loan agreement, in the event of default of any covenant, includes legally available remedies as the lender may deem necessary or appropriate.

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NOTES TO THE FINANCIAL STATEMENTS

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Debt Maturities

Debt maturities for the next five years and to maturity are as follows:

<u>Year</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 220,872	\$ 204,978
2022	227,498	199,153
2023	234,156	193,145
2024	235,847	186,953
2025	242,573	180,728
2026 - 2030	1,410,972	788,152
2031 - 2035	1,455,000	535,000
2036 - 2040	1,915,000	240,600
Total	<u>\$ 5,941,918</u>	<u>\$ 2,528,709</u>

Refunding

On December 29, 2017, the District partially refunded the Series 2010 General Obligation Bonds with the issuance of \$5,305,000 of General Obligation Refunding Bonds, Series 2017 (with an average interest rate of 3.76%).

The District refunded the financial obligations to reduce its total debt service payments over the next 23 years by almost \$670,521 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$485,744. The 2010 Bonds had a non-callable balance of \$250,000 at the time of issuance.

In the government-wide statements, the District incurred a cost on bond refunding in the amount of \$129,852, which has been deferred and is being amortized over the life of the 2017 bonds. At December 31, 2020, the remaining amount to be deferred was \$112,914.

Debt authorization

On November 4, 2008 and May 4, 2010, a majority of qualified electors of the District authorized the issuance of indebtedness in amounts not to exceed \$6,000,000 and \$6,000,000, respectively, at interest rates not to exceed 8.5% per annum. The 2010 authorization was for the purpose of refunding previously issued bonds. At December 31, 2020, the District had

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authorized but unissued indebtedness in the following amounts allocated for the following purposes.

<u>Purpose</u>	<u>Authorized in 2008 and 2010</u>	<u>Used by 2009 Bonds and Note</u>	<u>Used by 2010 and 2017 Bonds</u>	<u>Authorized But Unissued</u>
Water Supply	\$ 3,000,000	\$ 2,039,234	\$ 960,000	\$ 766
Sanitary Sewer	3,000,000	2,549,516	450,000	484
Refunding	6,000,000	-	6,000,000	-
Total	<u>\$ 12,000,000</u>	<u>\$ 4,588,750</u>	<u>\$ 7,410,000</u>	<u>\$ 1,250</u>

7. NET POSITION

The District has net position consisting of three components: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, loans, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of December 31, 2020, the District had net investment in capital assets as follows:

Net investment in capital assets:	
Capital assets, not being depreciated	\$ 412,322
Capital assets, being depreciated, net	8,254,906
Long-term liabilities due within one year	(236,282)
Long-term liabilities due in more than one year	<u>(6,013,385)</u>
Total net investment in capital assets	<u>\$ 2,417,111</u>

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, net grantors, contributors, or laws or regulations of other governments or imposed by law through the constitutional provisions or enabling legislation. The purposes for the restrictions of net position are described in Note 4. As of December 31, 2020, the District had restricted net position as follows:

Restricted:

Loan operating reserve requirement	\$ 235,500
Emergency reserve (TABOR)	14,700
Total restricted net position	<u>\$ 250,200</u>

As of December 31, 2020, the District had unrestricted net position of \$594,919.

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8. DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

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 District are provided with pensions through the LGDTF Plan-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 (“CRS”), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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*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.

In all cases, the service retirement benefit is limited to 100% 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 (COLAs) in certain years, referred to as annual increases in the C.R.S. 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% unless adjusted by the automatic adjustment provision AAP pursuant to C.R.S. ss 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 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 for the LGDTF. The AAP may raise or lower the aforementioned by up to 0.25 percent based on the parameters specified C.R.S. ss 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.

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Contribution provisions as of December 31, 2020. Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S.ss 24-51-401, *et seq.* and ss 24-51-413. Employee contribution rates for the period 1/1/20 through 12/31/20 are summarized in the table below:

	January 1, 2020 Through <u>June 30, 2020</u>	July 1, 2020 Through <u>December 31, 2020</u>
Employer Contribution Rate ¹	10.00%	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. ss 24-51-208(1)(f):	(1.02)%	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%	9.48%
Amortization Equalization Disbursement (AED) as specified in C.R.S. ss 24-51-411 ¹	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. ss 24-51-411 ¹	<u>1.50%</u>	<u>1.50%</u>
Total Employer Contribution Rate to the LGDTF ¹	12.68%	13.18%

¹ *Contribution rates for the LGDTF are expressed as a percentage of salary as defined in CRS ss 24-51-101(42).*

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$47,499 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 District reported a liability of \$416,186 for its proportionate share of the net pension liability. The net pension liability for the LGFTF 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 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The District's proportion of the net pension liability was based on District 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 District's proportion was .056900 percent, which was an increase of .00155 percent from its proportion measured as of December 31, 2018.

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For the year ended December 31, 2020, the District recognized pension expense of (\$54,524). At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$27,235	-
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$170,267
Changes in proportion and differences between contributions recognized and proportionate share of contributions	19,726	-
Contributions subsequent to the measurement date	47,499	-
Total	\$ 94,460	\$170,267

\$47,499 was 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:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ (10,799)
2022	(47,173)
2023	(7,240)
2024	(58,096)
2025	2
Thereafter	-

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

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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:

Actuarial Cost Method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 - 10.45%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to January 1, 2007; and DPS Benefit Structure (Automatic)	1.25% Compounded Annually
PERA Benefit Structure hired after December 31, 2006; (Ad Hoc, Substantively Automatic)	Annually Financed by the Annual Increase Reserve
Future Post Retirement Benefit Increases	
PERA Benefit Structure Hired Prior to January 1, 2007: and DPS Benefit Structure (Automatic)	0% through 2019 and 1.5% Compounded Annually, Thereafter
PERA Benefit Structure Hired After December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

- 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 age 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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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's Board during the November 18, 2016 Board meeting.

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

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

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Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- 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 the future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 764,503	\$ 416,186	\$ 123,255

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

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9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

Eligible employees of the District are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by 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 Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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 PERACare is voluntary and is available to benefit recipients and their eligible dependents, 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.

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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 service-based 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.

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Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were \$3,717 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 District reported a liability of \$48,985 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District's proportion was 0.00436 percent which was an increase of 0.00007 percent from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the District recognized OPEB expense of (\$4,234). At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 163	\$ 8,231
Changes in assumptions	406	-
Net difference between projected and actual earnings on OPEB Plan investments	-	818
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,857	-
Contributions subsequent to the measurement date	3,717	-
Total	\$ 9,143	\$ 9,049

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\$3,717 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	(555)
2022	(555)
2023	(318)
2024	(697)
2025	(1,413)
Thereafter	85

Actuarial assumptions

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

Actuarial Cost Method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 in the aggregate
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.60% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A Premiums	3.50% for 2019 gradually increasing to 4.50% in 2029

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 assumption 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

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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:

<u>Medicare Plan</u>	Cost of 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:

<u>Medicare Plan</u>	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.

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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.

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:

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- **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.

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

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

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

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

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability using healthcare 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:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
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%
Proportionate Share of the Net OPEB Liability	\$47,822	\$48,985	\$50,330

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:

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- 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 used by the plan 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 end of the month.

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, therefore, the discount rate is 7.25 percent.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$55,388	\$48,985	\$43,510

OPEB plan fiduciary net position

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

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10. INTERFUND AND OPERATING TRANSFERS

The transfer of \$254,000 from the General Fund to the Enterprise Fund was for the purpose of assisting with capital and operating costs of the Enterprise Fund.

11. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance.

The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2020. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settlements have not exceeded coverage during the past three fiscal years.

12. AMENDMENT TO COLORADO CONSTITUTION

Article X, Section 20 of the Colorado constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorize to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not

allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District believes, after consultation with legal counsel, it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and

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qualification as an Enterprise will require judicial interpretation.

On November 3, 1998, the voters approved a ballot which stated that the District is authorized to collect, retain and expend all revenues including grants and other funds collected during 1998 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution, effective January 1, 1998, provided, however that no property tax mill levy be increased at any time nor shall any new tax be imposed without prior approval of the voters. On November 4, 2008, the District electors approved a ballot question regarding a tax increase to pay for District operations, maintenance and other expenses.

REQUIRED SUPPLEMENTAL INFORMATION

**BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

	Years Ended December 31,						
	2019	2018	2017	2016	2015	2014	2013
District's proportion of the Net Pension Liability (Asset)	0.056903396%	0.055353211%	0.049548237%	0.049697251%	0.048496241%	0.057874904%	0.053415447%
District's proportionate share of the Net Pension Liability (Asset)	\$ 416,186	\$ 695,908	\$ 551,685	\$ 671,082	\$ 534,225	\$ 518,738	\$ 439,567
District's covered payroll	\$ 391,850	\$ 363,058	\$ 312,571	\$ 301,230	\$ 301,229	\$ 317,241	\$ 281,377
District's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered payroll	106.2%	191.7%	176.5%	222.8%	177.3%	163.5%	156.2%
Plan fiduciary net position as a percentage of the total pension liability	86.3%	76.0%	79.4%	73.6%	76.9%	80.7%	80.7%

*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2014 was not available.

**BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS**

	Years Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 47,499	\$ 49,688	\$ 46,036	\$ 39,634	\$ 38,196	\$ 40,212	\$ 36,135
Contributions in Relation to the Contractually Required Contribution	\$ 47,499	\$ 49,688	\$ 46,036	\$ 39,634	\$ 38,196	\$ 40,212	\$ 36,135
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 364,426	\$ 391,850	\$ 363,058	\$ 312,571	\$ 301,230	\$ 317,241	\$ 284,976
Contributions as a Percentage of Covered Payroll	13.0%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
							6.8%

*This schedule will report ten years of data when it is available.

BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Ten Fiscal Years

<u>Plan Measurement Date</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability	0.0043581174%	0.0042926535%	0.0038501306%	0.0038149637%
District's proportionate share of the net OPEB liability	48,985	58,403	50,036	49,462
District's covered payroll	391,850	363,058	312,571	301,230
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.50%	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%

*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2017 not available.

Schedule of District Contributions
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 3,717	\$ 3,997	\$ 3,703	\$ 3,188	\$ 3,073
Contributions in Relation to the Contractually Required Contribution	3,717	3,997	3,703	3,188	3,073
Contribution Deficiency (Excess)	-	-	-	-	-
District's Covered Payroll	364,426	391,850	363,058	312,571	301,230
Contributions as a Percentage of Covered Payroll	1.02%	1.00%	1.00%	1.00%	1.00%

These schedules are presented to show information for 10 years. Until information for the full 10 year period is available, information will be presented for the years information is available.

SUPPLEMENTAL INFORMATION

**BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION (NON-GAAP BUDGETARY BASIS)
WATER AND SEWER ENTERPRISE FUND
For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original & Final</u>	<u>Actual</u>	
REVENUE			
Water and sewer fees	\$ 626,500	\$ 881,236	\$ 254,736
Availability of service fees	247,710	238,404	(9,306)
Property and specific ownership taxes	213,747	210,178	(3,569)
Tap fees	-	15,250	15,250
Payments in lieu of taxes	28,000	11,693	(16,307)
Grant income	60,000	3,374	(56,626)
Interest income	9,500	7,166	(2,334)
Miscellaneous income	1,800	4,521	2,721
Total Revenue	<u>1,187,257</u>	<u>1,371,822</u>	<u>184,565</u>
EXPENDITURES			
Operations:			
Insurance	34,000	35,273	(1,273)
Office expense	28,905	27,814	1,091
Operating expenses	17,825	14,865	2,960
Professional fees	38,000	57,876	(19,876)
Repair and maintenance	172,300	204,459	(32,159)
Salaries and benefits	408,229	362,400	45,829
Small tools and supplies	6,000	5,863	137
Testing	15,000	8,079	6,921
Utilities	99,625	96,346	3,279
Utility billing	17,000	17,999	(999)
Vehicle operations	16,500	35,049	(18,549)
Water costs	70,000	75,968	(5,968)
Total Operations Expenditures	<u>923,384</u>	<u>941,991</u>	<u>(18,607)</u>
Debt service:			
Principal	209,650	209,278	372
Interest	210,972	210,053	919
Trustee, fiscal and paying agent fees	400	400	-
Capital outlay	393,150	211,602	181,548
Total Expenditures	<u>1,737,556</u>	<u>1,573,324</u>	<u>164,232</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(550,299)</u>	<u>(201,502)</u>	<u>348,797</u>
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	467,514	254,000	(213,514)
Total other financing sources	<u>467,514</u>	<u>254,000</u>	<u>(213,514)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	(82,785)	52,498	135,283
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>797,603</u>	<u>881,955</u>	<u>84,352</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 714,818</u>	<u>\$ 934,453</u>	<u>\$ 219,635</u>

**BACA GRANDE WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUE, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUND
Year Ended December 31, 2020**

Revenue (budgetary basis)	\$	<u>1,625,822</u>
Revenue per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>1,625,822</u>
Expenditures (budgetary basis)		1,573,324
Expenditures included in statement of revenues, expenses and changes in net position, but not included with expenditures on a budgetary basis:		
Depreciation		501,293
Expenditures included under budgetary basis, but not included in statement of revenues, expenses and changes in net position		
Capital outlay		(211,602)
Debt paid		(209,278)
Pension liability		<u>(2,222)</u>
Operating and non-operating expenses per statement of revenues, expenses and changes in net position		<u>1,651,515</u>
Change in net position per statement of revenue, expenses and changes in net position	\$	<u><u>(25,693)</u></u>

BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2020

Year Ended December 31,	\$5,305,000 General Obligation Bonds, Series 2017/2010 Principal Due on December 1 Interest Rate of 3% to 4% Payable on June 1 and December 1			\$1,483,750 Colorado Water Resources and Power Development Authority Loan Principal and Interest Interest Rate of 2.00% Due June 1 and December 1		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 140,000	\$ 190,550	\$ 330,550	\$ 80,872	\$ 14,428	\$ 95,300
2022	145,000	186,350	331,350	82,498	12,803	95,301
2023	150,000	182,000	332,000	84,156	11,145	95,301
2024	150,000	177,500	327,500	85,847	9,453	95,300
2025	155,000	173,000	328,000	87,573	7,728	95,301
2026	165,000	168,350	333,350	89,333	5,968	95,301
2027	215,000	163,400	378,400	91,129	4,172	95,301
2028	225,000	156,950	381,950	92,960	2,340	95,300
2029	235,000	147,950	382,950	47,550	472	48,022
2030	250,000	138,550	388,550	-	-	-
2031	265,000	128,550	393,550	-	-	-
2032	275,000	117,950	392,950	-	-	-
2033	290,000	106,950	396,950	-	-	-
2034	305,000	95,350	400,350	-	-	-
2035	320,000	86,200	406,200	-	-	-
2036	330,000	76,600	406,600	-	-	-
2037	345,000	63,400	408,400	-	-	-
2038	395,000	49,600	444,600	-	-	-
2039	415,000	33,800	448,800	-	-	-
2040	430,000	17,200	447,200	-	-	-
	<u>\$5,200,000</u>	<u>\$2,460,200</u>	<u>\$7,660,200</u>	<u>\$ 741,918</u>	<u>\$ 68,509</u>	<u>\$ 810,427</u>

(continued)

**BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

December 31, 2020

(continued)

Year Ended December 31,	Total		
	Principal	Interest	Total
2021	\$ 220,872	\$ 204,978	\$ 425,850
2022	227,498	199,153	426,651
2023	234,156	193,145	427,301
2024	235,847	186,953	422,800
2025	242,573	180,728	423,301
2026	254,333	174,318	428,651
2027	306,129	167,572	473,701
2028	317,960	159,290	477,250
2029	282,550	148,422	430,972
2030	250,000	138,550	388,550
2031	265,000	128,550	393,550
2032	275,000	117,950	392,950
2033	290,000	106,950	396,950
2034	305,000	95,350	400,350
2035	320,000	86,200	406,200
2036	330,000	76,600	406,600
2037	345,000	63,400	408,400
2038	395,000	49,600	444,600
2039	415,000	33,800	448,800
2040	430,000	17,200	447,200
	<u>\$ 5,941,918</u>	<u>\$ 2,528,709</u>	<u>\$ 8,470,627</u>

**BACA GRANDE WATER AND SANITATION DISTRICT
SCHEDULE OF ASSESSED VALUATION AND MILL LEVY CERTIFICATION**

Years Ended December 31,

	<u>2020 Certified</u>	<u>2019 Certified*</u>	<u>2018 Certified*</u>	<u>2018 Adopted</u>	<u>2017</u>	<u>2016</u>
Assessed Valuation - Final	\$ 11,174,827	\$ 10,349,652	\$ 10,135,580	\$ 10,853,794	\$ 11,885,632	\$ 12,073,444
Mill Levy - Certified	54.000	54.000	54.000	54.000	54.000	54.000

**Final Assessed Valuation substantially less than Preliminary Assessed Valuation.*