TABERNASH MEADOWS WATER AND SANITATION DISTRICT
Grand County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2018

Table of Contents

SCHILLING & COMPANY, INC.
Certified Public Accountants

P.O. Box 631579
Highlands Ranch, CO 80163
Phone: 720.348.1086
Fax: 720.348.2920

Independent Auditor's Report

Board of Directors
Tabernash Meadows Water and Sanitation District
Grand County, Colorado

Report for the Financial Statements

We have audited the accompanying financial statements of Tabernash Meadows Water and Sanitation District (District) as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tabernash Meadows Water and Sanitation District, as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages III through VII, the Schedule of the Proportionate Share of the Net Pension Liability on page 32, the Schedule of District Pension Contributions on page 33, the Schedule of the Proportionate Share of the Collective Net OPEB Liability on page 34, and the Schedule of District OPEB Contributions on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents 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.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 9, 2019

Our discussion and analysis of Tabernash Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the following table, in 2018 the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $769,545 a decrease from 2017. Total assets increased by $93,583, or 1.7%, primarily due to the additions to capital assets and overall cash provided from the District's operations. Property taxes receivable and deferred property tax revenue both decreased by $38,561 due to the District lowering the debt service mill levy from 58.000 to 50.000 mills. Capital asset activity is discussed below in the capital asset and debt administration section. Deferred outflows of resources related increased due to an increase in the deferred loss on refunding by $202,515 as a result of the debt refunding transaction initiated in 2018. However, this was partially offset by a reduction in the deferred outflows of resources related to pensions which decreased by $73,792 as a result of the current year adjustments related to PERA. Current liabilities decreased by $53,627 due primarily to decrease of $14,407 in accounts payable due to the timing of the payment of yearend expenditures and a $35,000 decrease in the current portion of bonds and loan payable for principal payments due in 2019. Long-term obligations activity is discussed below in the capital asset and debt administration section. During 2018, the District's proportionate share of net pension liability in PERA decreased by $182,656 to $285,079. The District's proportionate share of the overall PERA net pension liability decreased by .00903% and the overall PERA net pension liability decreased by $236,911,000. The District's deferred inflows of resources related to pensions increased by $113,285. During 2018 the District had to implement a new accounting standard related to other postemployment benefits. As a result the District recorded a liability of $25,856, small amounts of deferred inflows and outflows of resources related to OPEB. Pension and OPEB changes are based on various assumptions and results and therefore vary from year to year. Restricted net position decreased due to lower amounts restricted for debt purposes.

NET POSITION

	December 31, 2018	December 31, 2017
ASSETS		(*)
Current assets	$ 1,187,275	$ 1,137,598
Capital assets, net	4,418,513	4,374,607
Total assets	5,605,788	5,512,205
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	269,576	67,061
Deferred outflows related to pension	44,363	118,155
Deferred outflows related to OPEB	2,014	-
Total deferred outflows of resources	315,953	185,216
LIABILITIES		
Current liabilities	133,418	187,045
Long-term bonds and loan liabilities	4,244,000	3,802,250
Net pension liability	285,079	467,735
Net OPEB liability	25,856	-
Total liabilities	4,688,353	4,457,030
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	334,274	372,835
Deferred inflows related to pension	121,882	8,597
Deferred inflows related to OPEB	7,687	-
Total deferred inflows of resources	463,843	381,432
NET POSITION		
Net investment in capital assets	492,011	521,168
Restricted	385,270	397,907
Unrestricted	(107,736)	(60,116)
Total net position	$ 769,545	$ 858,959

(*) - Insufficient information is available related to the implementation of Governmental Accounting Standards Board Statement No. 75 to report the effect of its implementation on the net position information for the year ended December 31, 2017.

CHANGES IN NET POSITION

	Years Ended December 31, 2018	2017
REVENUES		(**)
Operating revenue:		
Charges for services	$ 481,114	$ 453,335
Nonoperating revenue:		
Property taxes	375,280	370,809
Specific ownership taxes	26,678	26,318
Investment earnings	3,760	5,103
Capital contributions:		
Contributed capital assets	278,161	-
Water and sewer tap fees	144,000	-
Total revenues	1,308,993	855,565
EXPENSES		
Operating expenses:		
Water operations	132,348	141,826
Sewer operations	240,004	269,894
Administration	120,713	128,453
Depreciation	261,149	254,121
Nonoperating expenses:		
Interest, fiscal charges and other	492,599	319,945
Loan issuance costs	117,120	-
Total expenses	1,363,933	1,114,239
CHANGES IN NET POSITION	(54,940)	(258,674)
NET POSITION - BEGINNING OF YEAR (Restated)	824,485	1,117,633
NET POSITION - END OF YEAR	$ 769,545	$ 858,959

(**) - Insufficient information is available related to the implementation of Governmental Accounting Standards Board Statement No. 75 to report the effect of its implementation on the changes in net position information for the year ended December 31, 2017.

As noted in the table above, the District's net position for 2018 decreased by $54,940. Overall revenue increased by $453,428 as a result of receiving $144,000 of water and sewer tap fees and contributed capital assets of $278,161, when there was not similar revenues received in 2017. Property taxes increased by $4,471, or 1.2%, for 2018 due to an increase in the District's assessed valuation which was partially offset by a reduction in the mill levy for operations. Charges for services increased by $27,779, or 6.1%. The District's water base rate of was increased from $168 to $174 per quarter and wastewater base rate was increased from $177 to $183 per quarter. There were also a slightly more customers billed in 2018 when compared to 2017. For 2018 Grand County's share of the sewer operations costs increased by $11,157.

Overall expenses increased from 2017 to 2018 by $249,694, or 22.4%. Both water and sewer operating expenses decreased from 2017 levels as a result of favorable adjustments related to the PERA pension, when compared to 2017. However, interest, fiscal charges and other increased by $172,654, primarily due to amortization of bond issuance costs related to the 2018 bond refund. For 2018, the District incurred $264,224 of amortization related to the bond refunding loss. Additionally, the District incurred $117,120 of loan issuance costs related to the 2018 bond refunding.

BUDGETARY HIGHLIGHTS

During 2018 the District amended the 2018 budget, increasing the appropriated expenditures from $1,580,818 to $6,432,533. Actual expenditures were $5,073,967 or $1,358,566 under budget. Budgeted revenues, as amended, were $5,753,654 and actual revenues were $5,180,832 or $572,822 less than budgeted.

CAPITAL ASSET AND DEBT ADMINSTRATION

Capital Assets

The District's investments in capital assets at December 31, 2018 and 2017 are as follows:

CAPITAL ASSETS (net of accumulated depreciation)

	2017	Change	2018
Land	$ 132,381	$ -	$ 132,381
Water rights	495,800	-	495,800
Construction in progress	-	17,900	17,900
Water system	1,735,069	164,976	1,900,045
Wastewater system	1,986,585	(129,972)	1,856,613
Vehicles and equipment	24,772	(8,998)	15,774
Total	$ 4,374,607	$ 43,906	$ 4,418,513

During 2018 the District's capital asset additions amounted to $7,900 for the fire line meter vault, $10,000 for water rights, $3,740 for a chlorine water monitor, and $5,254 for a process blower. Additionally, for 2018 the District received a contributed water main extension valued at $278,161.

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Obligations

The District's long-term obligations at December 31, 2018 and 2017 are as follows:

LONG-TERM OBLIGATIONS

	2017	Change	2018
GO Refunding Bonds, Series 2010	$ 3,665,000	$ (3,665,000)	$ -
GO Refunding Loan, Series 2018	-	4,090,000	4,090,000
CWRPDA Loan	255,500	(18,250)	237,250
Total	$ 3,920,500	$ 406,750	$ 4,327,250

During 2018 the District issued a $4,150,000 Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan, Series 2018 (Refunding Loan) to advance refund and defease the District's outstanding General Obligation Refunding Bonds, Series 2010 (Refunded Bonds) in principal amount of $3,665,000. This refunding effectively extended the maturity date of the District's long-term obligations and reduced the annual required debt service payments.

The debt service payments on the bonds and loans were made as scheduled.

Additional information on the District's long-term obligations can be found in Note 5 of this report.

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

For 2019, the District's water and wastewater base rates were increased to $192 and $204, respectively, per quarter, an increase from 2018's rates of $174 and $183, respectively, per quarter.

For 2019's property taxes, the District's assessed valuation for property taxes increased by 2.4%. The District's general operations mill levy remained the same at 6.325 mills and the debt service mill levy was reduced from 58.000 to 50.000 mills. Total property taxes levied for 2019 are expected to generate approximately $41,006 less in revenue than was collected for 2018. The debt service property taxes are restricted for the scheduled payments on the District's outstanding long-term obligations. Total budgeted revenues for 2019 are $877,804. Total budget expenditures for 2019 are $983,098, resulting in an expected decrease in funds available of $105,294. Although expenditures are budgeted at $983,098, the overall appropriation for expenditures (legal level of approved expenditures) was set by the Board of Directors at $1,475,297.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Tabernash Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, P.O. Box 443, Tabernash, CO 80478, (970) 726-2839.

BASIC FINANCIAL STATEMENTS

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents - Unrestricted	$ 460,118
Cash and cash equivalents - Restricted	248,730
Accounts receivable:	
Customers	81,783
Others	17,343
Prepaid expenses	17,246
Prepaid tap inventory	24,000
Property taxes receivable	338,055
Total current assets	1,187,275
CAPITAL ASSETS	
Capital assets, not being depreciated	646,081
Capital assets, being depreciated	7,308,366
	7,954,447
Less accumulated depreciation and amortization	(3,535,934)
Total capital assets	4,418,513
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	269,576
Deferred outflows related to pension	44,363
Deferred outflows related to other postemployment benefits	2,014
Total deferred outflows of resources	315,953
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,921,741
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	$ 22,017
Accrued wages and general leave	11,791
Interest payable	16,360
Bonds and loan payable - current	83,250
Total current liabilities	133,418
NONCURRENT LIABILITIES	
Bonds and loan payable - noncurrent	4,244,000
Net pension liability	285,079
Net other postemployment benefits payable	25,856
Total noncurrent liabilities	4,554,935
Total liabilities	4,688,353
DEFERRED INFLOWS OF RESOURCES	
Deferred property taxes	334,274
Deferred inflows related to pension	121,882
Deferred inflows related to other postemployment benefits	7,687
Total deferred inflows of resources	463,843
NET POSITION	
Net investment in capital assets	492,011
Restricted for:	
Emergencies	1,190
Debt service	248,730
Operations and maintenance reserve	135,350
Unrestricted	(107,736)
Total net position	769,545
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 5,921,741

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2018

OPERATING REVENUE		
Service charges - water	$	164,231
Service charges - sewer		161,772
Intergovernmental charges for services		93,570
Other charges and cost reimbursements		61,541
Total operating revenue		481,114
OPERATING EXPENSES		
Water operations		132,348
Sewer operations		240,004
Administration		120,713
Depreciation		261,149
Total operating expenses		754,214
OPERATING LOSS		(273,100)
NONOPERATING REVENUE (EXPENSE)		
Property taxes		375,280
Specific ownership taxes		26,678
Net investment income		3,760
County treasurer's fees		(18,764)
Bond interest and fiscal charges		(473,835)
Loan issuance costs		(117,120)
Total nonoperating revenue (expense)		(204,001)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS		(477,101)
CAPITAL CONTRIBUTIONS		
Contributed capital assets		278,161
Water and sewer tap fees		144,000
Total capital contributions		422,161
CHANGE IN NET POSITION		(54,940)
NET POSITION - BEGINNING OF YEAR (Restated)		824,485
NET POSITION - END OF YEAR	$	769,545

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

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 482,519
Payments to vendors	(264,894)
Payments to employees	(238,975)
Net cash required by operating activities	(21,350)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital asset purchases	(26,894)
Water and sewer tap fees received	144,000
Principal paid on capital debt	(78,250)
Interest paid on capital debt	(215,012)
Proceeds from refunding loan issuance	4,150,000
Payments to refunding bond escrow	(4,131,739)
Loan issuance costs paid	(117,120)
Net cash required by capital financing activities	(275,015)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES	
Property and specific ownership taxes received	400,539
County treasurer's fees paid	(18,764)
Interest received	3,760
Net cash provided by noncapital financing activities	385,535
NET INCREASE IN CASH AND CASH EQUIVALENTS	89,170
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	619,678
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 708,848

RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES	
Operating loss	$ (273,100)
Adjustments to reconcile (loss) from operations to net cash provided (required) by operating activities:	
Depreciation	261,149
Effects of changes in operating assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	1,405
Prepaid expenses	946
Accounts payable	(18,756)
Accrued general leave	5,530
Net pension liability, deferred outflows related to pensions, and deferred inflows related to pensions	4,421
Net other post employment benefits liability, deferred outflows related to other post employment benefits, and deferred inflows related to other post employment benefits	(2,945)
Net cash required by operating activities	$ (21,350)

NON-CASH CAPITAL FINANCING ACTIVITIES	
Contributed capital assets	$ 278,161

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

NOTE 1 – DEFINITION OF REPORTING ENTITY

Tabernash Meadows Water and Sanitation District (District), was created on November 14, 1996, as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Grand County, Colorado. The District's purpose is to provide for the design, acquisition, installation and construction of a complete water and irrigation water system, sanitary sewers, flood and surface drainage, wastewater treatment and disposal works and facilities, and all necessary or proper equipment and appurtenances incident thereto. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. PERA investments are reported at fair value.

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OBEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by PERA and additions to/deductions from HCTF's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. PERA investments are reported at fair value.

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

For the year ended December 31, 2018 the District modified the appropriation from $1,580,818 to $6,432,533.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue and reported as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivable consist of uncollected water and sewer service revenue. Due to the District's broad powers of collection, no allowance for uncollectible water and sewer service revenue receivables has been reported.

Prepaid Expenses

Certain payments to vendors for goods or services reflect costs which are applicable to future accounting periods are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District's capitalization threshold for depreciable assets is $2,500. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water system	15 - 60 years
Wastewater system	18 - 50 years
Vehicles and equipment	3 - 5 years

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Deferred Loss on Bond Refunding

The loss on bond refunding has been deferred and is being amortized over the remaining amortization term of the prior loss on bond refunding using the straight line method. The annual amortization of the deferred loss is reported as a component of bond interest expense in the statement of revenues, expenses and changes in fund net position. The unamortized deferred loss on bond refunding is reported as a deferred outflow of resources.

NOTE 3 - CASH AND INVESTMENTS

As of December 31, 2018 the District's cash and cash equivalents were comprised of the following:

Deposits	$	513,842
Investments - CSAFE		195,006
Total cash and cash equivalents	$	708,848

The District's cash and cash equivalents as of December 31, 2018 are classified in the accompanying financial statements as follows:

Cash and cash equivalents - Unrestricted	$	460,118
Cash and cash equivalents - Restricted		248,730
Total cash and cash equivalents	$	708,848

The restricted cash and cash equivalents at December 31, 2018 is restricted for the payment of debt service on the District's general obligation loan.

Cash 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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2018, the District had cash deposits with a bank balance of $523,287 and a carrying balance of $513,842.

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

At December 31, 2018 the District had the following investments:

Investment	Maturity	Carrying Amount at NAV
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	$ 195,006

CSAFE

At December 31, 2018, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the CSAFE. CSAFE operates similarly to a money market fund. CSAFE primarily invests in U.S. Treasury securities, agencies, repurchase agreements, bank deposits, AAAm rated SEC registered money-market funds and highly-rated commercial paper. CSAFE is rated AAAm by Standard and Poor’s.

Investment Valuation

The District’s investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments.

The District held investments in CSAFE at yearend for which the investment valuations were determined as follows.

The CSAFE calculates the NAV as of the conclusion of each business day. The NAV is calculated by determining total assets, subtracting total liabilities from total assets, then dividing the result by the number of outstanding shares. Liabilities include all accrued expenses and fees, which are accrued daily. The NAV is calculated on an amortized cost basis as provided for by GASB Statement 79. CSAFE does not place any known limitations or restrictions such as notice periods or maximum transaction amounts on withdrawals. It is the goal of CSAFE to maintain a NAV of $1.00 per share, however changes in interest rates may affect the fair value of the securities held by CSAFE and there can be no assurance that the NAV will not vary from $1.00 per share.

NOTE 4 - CAPITAL ASSETS

The following is an analysis of the changes in capital assets for the year ended December 31, 2018:

	Balance at December 31, 2017	Additions	Disposals/ Retirements	Balance at December 31, 2018
Capital assets, not being depreciated:				
Land	$ 132,381	$ -	$ -	$ 132,381
Water rights	495,800	-	-	495,800
Construction in progress	-	17,900	-	17,900
Total capital assets, not being depreciated	628,181	17,900	-	646,081
Capital assets, being depreciated:				
Water system	3,279,476	281,901	-	3,561,377
Wastewater system	3,615,237	5,254	-	3,620,491
Vehicles and equipment	126,498	-	-	126,498
Total capital assets being depreciated	7,021,211	287,155	-	7,308,366
Less accumulated depreciation for:				
Water system	(1,544,407)	(116,925)	-	(1,661,332)
Wastewater system	(1,628,652)	(135,226)	-	(1,763,878)
Vehicles and equipment	(101,726)	(8,998)	-	(110,724)
Total accumulated depreciation	(3,274,785)	(261,149)	-	(3,535,934)
Total capital assets being depreciated, net	3,746,426	26,006	-	3,772,432
Total capital assets, net	$ 4,374,607	$ 43,906	$ -	$ 4,418,513

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance at December 31, 2017	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
Bonds and loan payable:					
GO Refunding Bonds Series 2010	$ 3,665,000	$ -	$ 3,665,000	$ -	$ -
GO Refunding Bonds Series 2018	-	4,150,000	60,000	4,090,000	65,000
CWRPDA Loan	255,500	-	18,250	237,250	18,250
Total long-term obligations	$ 3,920,500	$ 4,150,000	$ 3,743,250	$ 4,327,250	$ 83,250

General Obligation Refunding Bonds, Series 2010

On March 31, 2010, the District issued $3,800,000 of General Obligation Refunding Bonds dated March 31, 2010. The bonds are term bonds due December 1, 2034. The bonds are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2013, and on each December 1 thereafter. The bonds bear interest at 7.125%, payable semi-annually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part in integral multiples of $5,000, on December 1, 2020, and on any date thereafter, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium. The bonds in the aggregate principal amount not to exceed $500,000 are subject to extraordinary redemption prior to maturity, at the option of the District, as a whole or integral multiples of $5,000, on any one or more interest payment dates, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium. The bonds were issued to refund the General Obligation Bonds, Series 2000.

Security for the bonds is provided by a pledge of the District's property taxes, specific ownership taxes, and other legally available moneys of the District. The District is required to impose a mill levy, without limitation of rate, in the amount sufficient pay the principal and interest on the bonds as they become due. For the year ended December 31, 2018, the District levied 58.000 mills for the payment of the debt service on these bonds. During 2018 these bonds were advance refunded and defeased by the issuance of the Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan, Series 2018. As of December 31, 2018 the amount of defeased bonds outstanding was $3,565,000.

Colorado Water Resources and Power Development Authority Loan

On April 15, 2011, the District entered into a $365,000 Loan Agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) dated April 15, 2011. The loan bears an interest rate of 0%. The loan requires semi-annual principal only payments of $9,125 on May 1 and November 1 beginning on May 1, 2012 and continuing through November 1, 2031. The loan was entered into to fund capital improvements consisting of a dewatering press and headworks screening enhancements in order to convert liquid sludge into biosolids which can be composted and/or hauled away.

Security for the loan is provided by a pledge of the net revenue of the District, excluding certain revenues as defined in the loan agreement. Additionally the District has covenanted to establish and collect such rates, fees and charges, together with other available revenues will be at least sufficient to pay the sum of: a) operation and maintenance expenses, b) 110% of the debt services on the loan, c) the amount, if any, to be paid into any debt service reserve account in connection with any obligations secured by a lien on the net revenue which lien is on a parity with the lien of this loan agreement on the net revenue, d) a sum equal to the debt service on any obligations secured by a lien on the net revenue which lien is subordinate to the lien of this loan agreement on the net revenue, and e) amounts necessary to pay and discharge all charges and liens or other indebtedness not described above and payable out of the gross revenue of the District. As of December 31, 2018, the remaining principal to be paid on the loan from the pledged net revenue is $237,250. For the year ended December 31, 2018 the District was in compliance with the revenue requirement as described in b) above.

Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan, Series 2018

On February 15, 2018 the District issued a $4,150,000 Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan, Series 2018. The loan bears interest at a taxable fixed rate of 4.80% up until the conversion date to tax-exempt. If and when the conversion to tax-exempt occurs, the loan will bear interest at tax-exempt fixed rate of 3.79%. It is anticipated the loan will convert from taxable to tax-exempt on approximately September 5, 2020. The loan requires interest payments on June 1 and December 1 and principal payments on December 1 of each year. The loan matures on February 16, 2028. The District may prepay the loan in whole, or in part, on any interest payment date at a prepayment price equal to the sum of the principal to be prepaid, the accrued and any unpaid interest thereon to the date of the prepayment, and a yield maintenance fee as calculated in accordance with the loan agreement.

The loan is a general obligation of the District and the full faith and credit of the District are pledged for the payment of debt service on the loan. The District is required to impose a mill levy, without limitation of rate, in the amount sufficient pay the principal and interest on the loan as they become due. For the year ending December 31, 2018 the District levied 58.000 mills, which was initially levied for the debt service on the General Obligation Refunding Bonds, Series 2010, which was then used to make the debt service payments on the loan since the 2010 bonds were refunded. For the year ending December 31, 2019, the District has levied a mill levy of 50.000 mills for the payment of debt service.

Bond Refunding

The District issued a $4,150,000 Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan, Series 2018 (Refunding Loan) to advance refund and defease the District's outstanding General Obligation Refunding Bonds, Series 2010 (Refunded Bonds) in the principal amount of $3,665,000. The Refunding Loan was issued with an average coupon rate of 4.538% and the Refunded Bonds bore an average coupon rate of 7.125%. The defeased bonds are not considered a liability of the District since sufficient funds of $4,186,141 were deposited with a trustee in escrow to be used to redeem the defeased bonds when due. The District increased its aggregate debt service payments by $1,012,729 over the next 30 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of $365,919.

The District's anticipated loan maturities are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	$ 83,250	$ 196,320	$ 279,570
2020	83,250	183,377	266,627
2021	128,250	150,084	278,334
2022	133,250	145,915	279,165
2023	138,250	141,556	279,806
2024-2028	716,250	665,324	1,381,574
2029-2033	579,750	697,500	1,277,250
2034-2038	660,000	553,500	1,213,500
2039-2043	835,000	372,000	1,207,000
2044-2047	970,000	133,500	1,103,500
	$ 4,327,250	$ 3,239,076	$ 7,566,326

Authorized Debt

On November 4, 1997, a majority of the District's voters authorized the issuance of general obligation indebtedness in an amount not to exceed the following amounts and for the following purposes: $5,000,000 for a sanitary sewage collection and transmission system; $3,000,000 for a complete potable and non-potable water supply, treatment, storage, transmission, and distribution system; $8,000,000 for the purpose of refunding, paying or defeasing other financial obligations of the District; for a total authorization of $16,000,000. As of December 31, 2018, the District had utilized $13,250,000 of the total authorized debt, resulting in $2,750,000 of authorized but unissued general obligation indebtedness.

NOTE 6 - NET POSITION

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

The net investment in capital assets, net of accumulated depreciation and if applicable reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018, the District had net investments in capital assets of $492,011.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed through constitutional provisions or enabling legislation. The District had restricted net position of $1,190, as of December 31, 2018, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 11).

At December 31, 2018 the District had restricted net position of $248,730, representing accumulated cash and cash equivalents in the loan repayment fund and reserve funds, which is restricted for the payment of debt service on the District's Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan, Series 2018 (See Note 5).

At December 31, 2018 the District had restricted net position of $135,350, representing the operations and maintenance reserve required by the Loan Agreement with the Colorado Water Resources and Power Development Authority (See Note 5).

At December 31, 2018 the District had an unrestricted deficit of $107,736 primarily due to accumulated losses from operations and spending of resources on capital improvements.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 – INTERGOVERNMENTAL AGREEMENT

Effective June 14, 2004 and as amended on April 26, 2016, District has entered into an intergovernmental agreement with Grand County (County) related to the operation of a wastewater treatment system. The District has the capacity to treat 200,000 gallons of wastewater influent and 418 pounds of BOD organic material per day. The amended 1041 permit allows the plan to service 714 single-family taps. The District and the County have agreed that the allocation of these 714 single-family taps, including tap trades in prior years, is 467 for the District and 247 for the County. As of December 31, 2018, the District has issued 281 taps of which 225 were being billed for service. The County has reported to the District that it has sold 141.2 taps. The County is responsible for billing and collection related to the taps it has sold.

Total costs associated with the facility, including construction, land purchase, engineering and inspection fees, developer expenses and organization costs, legal and accounting costs were borne by the District and the County at 66.7% and 33.3%, respectively. Ownership of the facility is to be shared by the District and the County based on the same percentages of shared costs. With the completion of the wastewater treatment plant in 2001 and the upgrade in 2005, the District and the County agreed to share the operating expenses of the plant in the same ratio of ownership.

For the year ended December 31, 2018, the District billed the County $91,821 for the County's share of the operational costs of the facilities and also billed the County $1,749 for the County's share of the capital improvements to the facilities.

NOTE 9 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. 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.

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

During the 2018 legislative session, 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.* Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and December 31, 2018.*

Benefits provided as of December 31, 2017. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. Section 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned.

If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2017, Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

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

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

Contributions provisions as of December 31, 2018. Eligible employees and District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary.

The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate[1]	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)[1]	-1.02%
Amount apportioned to the LGDTF[1]	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411[1]	1.50%
Total Employer Contribution Rate to the LGDTF[1]	12.68%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. Section 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 District were $23,517 for the year ended December 31, 2018.

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

At December 31, 2018, the District reported a liability of $285,079, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability at was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF. At December 31, 2017, the District proportion was 0.0256037 percent, which was a decrease of 0.0090346 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized pension expense of $28,448. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 17,834	$ -
Net difference between projected and actual earnings on pension plan investments	-	55,412
Change in proportion and differences between contributions recognized and proportionate share of contributions	-	66,470
Changes in assumptions or other Inputs	3,012	-
Contributions subsequent to the measurement date	23,517	-
Total	$ 44,363	$ 121,882

$23,517 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 ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31		
2019	$	(45,547)
2020		(14,791)
2021		(20,152)
2022		(20,546)
	$	(101,036)

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. 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 and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date. As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current 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:

	6.25%	7.25%	8.25%
Proportionate share of the net pension liability	$ 454,038	$ 285,079	$ 144,227

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

Changes between the measurement date of the net pension liability and December 31, 2018. During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through 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 the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, in the Local Government Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2018, the District reported a liability of $25,079 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (proforma)
7.25%	$ 201,641

<u>Defined Contribution Pension Plans</u>

<u>Voluntary Investment Program</u>

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

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the District does not match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2018, program members contributed $7,470, to the Voluntary Investment Program. The District did not make any matching contributions.

NOTE 10 – POST RETIREMENT HEALTHCARE BENEFITS

<u>Defined Benefit Other Postemployment Benefit (OPEB) Plan</u>

Summary of Significant Accounting Policies

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.

General Information about the OPEB Plan

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

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

PERA Benefit Structure

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

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were $1,892 for the year ended December 31, 2018.

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

At December 31, 2018, the District reported a liability of $25,856 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District’s proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District’s proportion was 0.0019895 percent, which was a decrease of 0.0006695 from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized OPEB income of $1,053. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 122	$ -
Net difference between projected and actual earnings on OPEB plan investments	-	433
Change in proportion and differences between contributions recognized and proportionate share of contributions	-	7,254
Contributions subsequent to the measurement date	1,892	-
Total	$ 2,014	$ 7,687

$1,892 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31	
2019	$ (1,509)
2020	(1,509)
2021	(1,509)
2022	(1,509)
2023	(1,401)
2024	(128)
	$ (7,565)

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment Rate of Return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent

Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024 +	5.00%	4.25%

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.

Healthy, post-retirement 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.

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

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

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

- 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 2017 plan year.

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.

- 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 rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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

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

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

	1.00% Decrease in Trend Rates	Current Trend Rates	1.00% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$ 25,144	$ 25,856	$ 26,712

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

- 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.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

- 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, and 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 rate:

	6.25%	7.25%	8.25%
Proportionate share of the net OPEB liability	$ 29,070	$ 25,856	$ 23,112

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

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 7, 1995 a majority of the District's voters approved the following ballot question:

> Shall Tabernash Meadows Water and Sanitation District be authorized to collect, retain and spend developer contributions, rates, fees, tolls and charges, and any other revenues not derived from ad valorem taxes in 1996 and each year thereafter, and shall such revenues and any investment income thereon be collected and spent as a voter-approved revenue change, without regard to any spending, revenue-raising or other limitation of Article X, Section 20 of the Colorado Constitution, or any other law?

On November 5, 1996 a majority of the District's voters approved the following ballot question:

> Shall Tabernash Meadows Water and Sanitation District be increased $15,000 annually, commencing with a total mill levy not to exceed 6.325 mills certified in 1996, and by whatever additional amounts are raised each year thereafter from a total mill levy not to exceed 6.325 mills, for the purpose of funding any lawful expenses of the District, and shall such revenues and any investment income thereon be collected and spent as a voter-approved revenue change without regard to and spending, revenue-raising or other limitation of Article X Section 20 of the Colorado Constitution or any other law; and shall the revenue from such taxes and any investment income thereon also be approved for 1997 and each year thereafter as an increased levy under section 29-1-302, C.R.S.?

On November 4, 1997 a majority of the District's voters approved the following ballot questions:

> Shall Tabernash Meadows Water and Sanitation District taxes be increased $500,000 annually, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses: such taxes to consist of an ad valorem mill levy imposed without limitation of rate or with such limitations as may be determined by the Board, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary, to be used for the purpose of paying the District's operations, maintenance, and other expenses; and shall the proceeds of such taxes and investment income thereon constitute voter-approved revenue changes and be collected and spent by the District each year without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, Colorado Revised Statutes?

> Shall Tabernash Meadows Water and Sanitation District, for purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of $500,000 annually from any revenue sources other than ad valorem taxes, including by not limited to tap fees, facility fees, service charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without

limiting in any year the amount of other revenues that may be collected and spent by the District?

On November 3, 1998 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District, for the purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of $2,000,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues, be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting, in 1998 or any year thereafter, the amount of other revenues that may be collected and spent by the District under Section 29-1-301, C.R.S. or any other statute or law?

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of the District's activities qualify as an Enterprise within the meaning of TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

NOTE 12 - RESTATEMENT

During 2018 the District implemented the *Governmental Accounting Standards Board Statement Number 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which changed the reporting and disclosure requirements related to District's participation in the Health Care Trust Fund administered by PERA. As a result, the beginning net position of the District was restated from $858,959 to $824,485 due to recording the beginning net other postemployment benefit liability of $34,474.

REQUIRED SUPPLEMENTAL INFORMATION

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA PENSION PLAN - LOCAL GOVERNMENT DIVISION TRUST FUND
LAST FIVE FISCAL YEARS(1)

	2017	2016	2015	2014	2013	
District's Proportion of the Net Pension Liability (Asset)	0.0256037%	0.0346383%	0.0366921%	0.0316849%	0.0329474%	
Disrict's Proportionate Share of the Net Pension Liability (Asset)	$ 285,079	$ 467,735	$ 404,193	$ 283,995	$ 271,131	
District's Covered Payroll	$ 161,518	$ 209,952	$ 208,383	$ 173,619	$ 175,777	
Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered Payroll	176.50%	222.78%	193.97%	163.57%	154.25%	
Calculation of Collectvie Net Pension Liability:						
Total Pension Liability	$ 5,396,516,000	$ 5,123,847,000	$ 4,762,090,000	$ 4,647,777,000	$ 4,331,233,000	**(2)**
Plan Fiduciary Net Position	4,283,086,000	3,773,506,000	3,660,509,000	3,751,468,000	3,508,312,000	
Net Pension Liability	$ 1,113,430,000	$ 1,350,341,000	$ 1,101,581,000	$ 896,309,000	$ 822,921,000	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.37%	73.65%	76.87%	80.72%	81.00%	

(1) - The amounts presented for each fiscal year were determined as of 12/31.

(2) - December 31, 2013 amount reduced by the $186,006,000 specific liability adjustment resulting from the termination of the affiliation of Memorial Health Systems. This specific liability was paid in October 2014 by the City of Colorado Springs.

NOTE: Information for the prior five years was not available to report.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
PERA PENSION PLAN - LOCAL GOVERNMENT DIVISION TRUST FUND
LAST SIX FISCAL YEARS

	2018	2017	2016	2015	2014	2013
Statutorily Required Contribution	$ 23,517	$ 20,481	$ 26,622	$ 26,423	$ 22,015	$ 22,289
Contributions in Relation to the Statutorily Required Contribution	(23,517)	(20,481)	(26,622)	(26,423)	(22,015)	(22,289)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 185,464	$ 161,518	$ 209,952	$ 208,383	$ 173,619	$ 175,777
Contributions as a Percentage of Covered Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%

NOTE: Information for the prior four years was not available to report.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY
HEALTH CARE TRUST FUND OPEB PLAN
LAST FISCAL YEARS(1)

	2017
District's Proportion of the Collective Net OPEB Liability (Asset)	0.0019895%
Disrict's Proportionate Share of the Collective Net OPEB Liability (Asset)	$ 25,856
District's Covered Payroll	$ 161,518
Proportionate Share of Collective Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	16.01%
Calculation of Collective Net OPEB Liability:	
Total OPEB Liability	$ 1,575,822,000
Plan Fiduciary Net Position	276,222,000
Net OPEB Liability	$ 1,299,600,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%

(1) - The amounts presented for each fiscal year were determined as of 12/31.

NOTE: Information for the prior nine years was not available to report.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
HEALTH CARE TRUST FUND OPEB PLAN
LAST TWO FISCAL YEARS

	2018	2017
Statutorily Required Contribution	$ 1,892	$ 1,647
Contributions in Relation to the Statutorily Required Contribution	(1,892)	(1,647)
Contribution Deficiency (Excess)	$ -	$ -
Covered Payroll	$ 185,464	$ 161,518
Contributions as a Percentage of Covered Payroll	1.02%	1.02%

NOTE: Information for the prior eight years was not available to report.

SUPPLEMENTAL INFORMATION

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 36,660	$ 36,660	$ 36,925	$ 265
Bond property taxes	336,175	336,175	338,355	2,180
Specific ownership tax	22,150	22,150	26,678	4,528
County portion of operations	99,492	99,492	91,821	(7,671)
County portion of capital	-	-	1,749	1,749
Interest income	1,250	2,500	3,760	1,260
Cost reimbursement	-	-	47,381	47,381
Other income	87,000	52,000	14,160	(37,840)
Water and sewer tap fees	-	144,000	144,000	-
Service charges	322,300	322,301	326,003	3,702
Contributions	-	278,161	-	(278,161)
Total revenues	905,027	1,293,439	1,030,832	(262,607)
EXPENDITURES				
Current:				
Salaries and benefits	258,013	258,014	244,505	13,509
HR development	2,200	2,200	2,423	(223)
Contract/professional services	7,500	7,500	8,442	(942)
Vehicle expense	5,000	5,000	5,563	(563)
Operating supply/equipment	53,050	53,050	37,558	15,492
Fire line extension	-	-	6,861	(6,861)
Lab testing	4,346	4,346	8,498	(4,152)
Biosolids removal	7,000	7,000	5,955	1,045
Utilities	32,485	32,485	28,406	4,079
Snow removal	1,000	1,000	500	500
Communication	6,004	6,004	7,046	(1,042)
Office supplies	4,264	4,264	7,114	(2,850)
Licenses	2,650	2,650	2,925	(275)
Dues and subscriptions	4,382	4,382	5,090	(708)
Audit and accounting	24,170	24,170	24,333	(163)
Treasurer fees	18,642	18,641	18,764	(123)
General and water rights legal	52,595	52,595	29,262	23,333
Reimbursable expenditures	-	40,000	47,381	(7,381)
Board of directors/election	500	500	-	500
General liability insurance	17,598	17,598	19,727	(2,129)
Capital expenditures	8,000	290,161	26,894	263,267
Debt service:				
Bond administration	1,900	-	143	(143)
Bond and loan interest	261,132	190,480	209,468	(18,988)
Loan principal	118,250	78,250	78,250	-
Loan issuance costs	-	-	117,120	(117,120)
Payment to refunded bond escrow agent	-	310,215	255,813	54,402
Contingency	690,137	872,028	-	872,028
Total expenditures	1,580,818	2,282,533	1,198,041	1,084,492
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(675,791)	(989,094)	(167,209)	821,885
OTHER FINANCING SOURCES (USES)				
Refunding loan issued	-	4,460,215	4,150,000	(310,215)
Payment to refunded bond escrow agent	-	(4,150,000)	(3,875,926)	274,074
Total other financing sources (uses)	-	310,215	274,074	(36,141)
NET CHANGE IN FUNDS AVAILABLE	(675,791)	(678,879)	106,865	785,744
FUNDS AVAILABLE - BEGINNING OF YEAR	691,680	695,968	695,968	-
FUNDS AVAILABLE - END OF YEAR	$ 15,889	$ 17,089	$ 802,833	$ 785,744

Funds available is computed as follows:

Current assets	$ 1,187,275
Current liabilities	(133,418)
Deferred property taxes	(334,274)
Add back current portion of bonds payable	83,250
	$ 802,833

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2018

Revenue and other financing sources (budgetary basis)	$ 5,180,832
Less refunding loan issued	(4,150,000)
Contributed capital assets	278,161
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	1,308,993
Expenditures and other financing uses (budgetary basis)	5,073,967
Payments to refunded bond escrow agent	(4,131,739)
Depreciation	261,149
Amortization of deferred loss on bond refunding	264,224
Net effect of changes in: net pension liability; deferred inflows related to pensions; and deferred outflows related to pensions	4,421
Net effect of changes in: net other postemployment benefits liability; deferred inflows related to other postemployment benefits; and deferred outflows related to other postemployment benefits	(2,945)
Capital outlay	(26,894)
Bond and loan principal	(78,250)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	1,363,933
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	$ (54,940)

OTHER INFORMATION

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2018

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Operations	Mills Levied Debt Service	Property Taxes Levied	Property Taxes Collected	Percentage Collected to Levied
2009	$ 6,834,210	6.325	20.000	$179,911	$174,395	96.9%
2010	$ 7,884,250	6.325	30.000	$286,395	$370,809	129.5%
2011	$ 8,090,390	6.325	30.000	$293,883	$293,884	100.0%
2012	$ 6,707,960	6.325	42.000	$324,162	$324,162	100.0%
2013	$ 6,786,890	6.325	45.000	$348,337	$349,544	100.3%
2014	$ 5,831,820	6.325	53.000	$345,973	$344,666	99.6%
2015	$ 5,847,250	6.325	53.000	$346,888	$346,799	100.0%
2016	$ 5,707,570	6.356 **(A)**	58.000	$367,316	$367,005	99.9%
2017	$ 5,757,420	6.379 **(B)**	58.000	$370,657	$370,809	100.0%
2018	$ 5,796,120	6.325	58.000	$372,835	$375,280	100.7%
Estimated for year ending December 31, 2019	$ 5,934,730	6.325	50.000	$334,274		

(A) - Includes .031 mill levy for refunds and abatements of prior years taxes
(B) - Includes .023 mill levy for refunds and abatements of prior years taxes

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.