

cPa DIXON, WALLER & CO., INC.

CUCHARAS SANITATION

AND WATER DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2019

DIXON, WALLER & CO., INC.

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AND WATER DISTRICT

CUCHARA, COLORADO

DECEMBER 31, 2019

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
Cucharas Sanitation and Water District
Cuchara, Colorado 81055

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Cucharas Sanitation and Water District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Cucharas Sanitation and Water District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Cucharas Sanitation and Water District as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vi 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 Cucharas Sanitation and Water District's basic financial statements. The statement of income – budget (non- GAAP) and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The statement of income – budget (non-GAAP) and actual and the schedule of expenditures of federal awards are the responsibility of management and were 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of income – budget (non-GAAP) and actual and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2020 on our consideration of the Cucharas Sanitation and Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cucharas Sanitation and Water District's internal control over financial reporting and compliance.

Diefore, Waller & Co., Inc.

June 19, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Cucharas Sanitation and Water District
for the year ending December 31, 2019

As Management of the Cucharas Sanitation and Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2019. In order to enhance understanding of the District's financial performance, this discussion and analysis should be read in conjunction with the Independent Auditor's Report, the financial statements, and the accompanying notes, which follow this section.

The District implemented GASB 68 as required in 2015. The net pension liability at December 31, 2019 was \$417,882. Under GASB 68 the District's proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association (PERA) is recorded as a liability of the District.

Cucharas Sanitation and Water District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit fund, known as Other Post-Employment Benefits (OPEB), administered by PERA. Title 24 Article 51 Part 12 of the Colorado Revised Statutes sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorizes disbursements necessary in order to carry out the purposes of the PERACare program. The net OPEB Liability as of December 31, 2019 was \$35,061.

FINANCIAL HIGHLIGHTS

- Cucharas Sanitation and Water District's assets and deferred outflows exceeded liabilities and deferred inflows by \$7,816,305 (net position) at the end of 2019. Of this amount, \$1,013,436 may be used to meet the government's ongoing obligations to citizens and creditors, including construction purposes. The remaining \$6,802,869 is invested in capital assets or is restricted by law.
- Total liabilities, including long-term debt, increased by \$2,019,915 at 2019 year-end from total 2018 year end liabilities. This increase in liabilities is due to several factors including increase in long term debt and pension liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements contain three components:

1) Government-wide Financial Statements, 2) Notes to the Financial Statements, and 3) Budgetary Comparisons.

Government-wide Financial Statements: The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows, and liabilities, with the difference reported as net position, some portions of which are restricted in accordance with debt covenants and other restrictions as required by the Colorado Revised Statutes. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating. It should be noted that other non-financial factors must be considered when assessing the overall health of the District. These include measures of the quality of service that the District provides to the Cuchara community, general condition of the sewer and water systems and local economic variances.

The *Statement of Revenues, Expenses, and Changes in Net Position*, presents information showing how the government's net position changed during the year. All changes in net position are reported as soon as the underlying

event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The *Statement of Cash Flows* reports receipts, cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and related financing activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during 2019.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Budgetary Comparisons: Cucharas Sanitation and Water District adopts an annual appropriated budget for its operations. A budgetary comparison statement has been provided to demonstrate compliance with the adopted budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following condensed financial information derived from government-wide financial statements includes comparisons with the fiscal year 2019.

Net position: As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2019, assets and deferred debt refunding exceeded liabilities by \$7,816,305. The District's net position decreased by \$36,498 between years 2018 and 2019 primarily due to pension liability and depreciation expense. The following table provides a summary of the District's net position at December 31, 2019 and December 31, 2018.

	2019	2018
Assets:		
Current and other assets	\$2,855,239	\$1,733,978
Capital Assets	\$8,041,584	\$7,294,146
<i>Total Assets</i>	\$10,896,823	\$9,028,124
Deferred Outflow of Resources:		
Pension and OPEB Cost <small>(New in 2015 and 2018)</small>	\$183,731	\$95,077
Liabilities:		
Current and other liabilities	\$488,053	\$97,898
Long-term liabilities	\$2,594,664	\$964,904
<i>Total Liabilities</i>	\$3,082,717	\$1,062,802
Net Position:		
Invested in capital assets, net of related debt	\$6,637,735	\$6,689,088
Restricted for TABOR Reserve	\$3,200	\$3,200
Restricted - Debt	\$161,934	\$160,000
Unrestricted	\$1,013,436	\$1,000,515
<i>Final Net Position</i>	\$7,816,305	\$7,852,803

The most significant portion of the District's Net Position (93%) reflects its investment in capital assets. These assets include land and easements, water rights, the office building, three water treatment plants (with one control panel upgrade) and one wastewater treatment plant, the distribution and collection systems including the Pinehaven water and sewer systems and the expanded Spanish Peaks subdivision water improvement project, sewer system, furniture,

and equipment. These capital assets are used to provide services to citizens; consequently, they are not available for future spending.

Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The District's debt is comprised of two Colorado Water Resources and Power Development Authority loans.

\$1,013,436 of Cucharas Sanitation and Water District's net position represents assets which may be used to meet the District's ongoing obligations to citizens and creditors, an increase of \$12,921 from 2018.

The following table indicates the changes in net position in 2019 and in 2018:

	2019	2018
Operating Revenues:		
Service Fees	666,214	\$659,210
Property and specific ownership taxes	104,913	\$106,818
Pond augmentation fees	\$2,040	\$2040
Investment earnings	35,450	\$7,768
Capital Grant	\$0	\$22,500
Loan Recoveries and Other	20,768	\$11,506
Misc. Capital Revenue	6,500	\$0
<i>Total Operating Revenues</i>	<u>835,885</u>	<u>\$809,842</u>
Operating Expenses:		
Personnel and directors' fees	273,793	\$271,997
Operations and maintenance	193,023	\$346,402
Bad debts	\$0	\$0
Depreciation	380,951	\$367,997
Other operating expense	(24,616)	\$(25,619)
<i>Total Operating Expenses</i>	<u>872,383</u>	<u>1,012,015</u>
Capital Contributions - Tap Fees	<u>\$0</u>	<u>\$0</u>
(Increase) Decrease in Net Position	(36,498)	(202,173)

Operating Revenues increased in 2019 by \$26,043 and Operating Expenses decreased by \$139,632. Key elements in these changes are as follows:

Revenues from water and sewer service fees increased by \$7,004 due to commercial water usage increase and customers paying in advance.

Pond Augmentation Fees are set at levels that reimburse the District's costs for the program. Currently there are 19 pond owners who continue to use this service; no additional owners requested this service as of end 12/31/2019. Revenues were consistent with 2018.

HuerfanoTel, Ken Swinehart, signed a land lease agreement with CSWD to establish his equipment on CSWD's land near the PineHaven Water Tank to provide internet services to Cuchara, increasing operating income \$2400 annually.

Annual income from Commnet and San Isabel continues to be consistent with 2018.

Loan Recoveries and Other, increased \$9,262 due to an increase in Capital Interest after funds were transferred to higher yielding accounts.

A \$900 scholarship was received from Colorado Special District Liability and Pool (CSDL&P) to send our new Board member to the SDA annual conference.

Every year we participate in a safety reimbursement program provided by CSDL&P in which the district is reimbursed 50% for safety material purchased.

CSWD received \$3130 from Colorado Employee Benefit Trust (CEBT) dividend surplus payment for being a participant for more than two years with their organization providing health care insurance for CSWD employees.

CSWD received a reimbursement check from Accutes Mountain Lab for \$1083.50 for services never rendered.

2019 year-end cash balances in banks and investments increased \$5,218.73 from 2018 year-end. This trend is expected to continue as the Board of Directors and staff is committed to continue to streamline processes and find ways to be more cost efficient.

Employee Retirement Expense has decreased due to an accounting maneuver to adjust expenses for PERA OBEB, per GASB.

Legal Expenses decreased \$3,516 due to no major issues with board elections. The district continues to be involved with the storage collaboration which is 75% of the legal water case bill. We did not obtain any legal cases for Sewer.

Office Expenses decreased by \$3,903 from 2018 due to stricter inventory monitoring practices thus cutting our spending.

District Management and Board continue to be involved in building up our reserves to cover future repairs, maintenance and updates to our system as it ages. District Management and Board believe it's essential to maintain a high level of maintenance in order to continue to offer a high level product to our customers.

BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes. In December of 2018, the Board of Directors appropriated \$2,738,770 for 2019 expenditures and reserves. The budget was not amended during the calendar year. The following table compares budget (non-GAAP) to actual in 2019 and 2018:

	2019		2018	
	Budget	Actual	Budget	Actual
Service Fees	656,986	666,214	670,166	659,210
Other Operating Revenue	159,631	163,171	146,311	138,132
Other Non-Operating Revenue	250,000	0	92,500	12,500
Expenditures	(2,659,398)	(1,644,964)	(1,012,280)	(682,164)
Net debt service	(79,372)	(79,895)	(82,330)	(79,892)
Debt Proceeds	1,446,000	1,696,000	0	0
Contingency	0	0	(5,000)	0
Net Income (Loss)	(226,153)	800,526	(190,633)	47,786

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Cucharas Sanitation and Water District's investment in capital assets (net of depreciation) at December 31, 2019, totals \$8,041,584. This investment includes the following (net of depreciation):

	2019	2018
Land and easements	158,475	158,475
Water rights	652,010	652,010
Utility plant - system	6,049,368	6,262,735
Equipment	109,455	77,382
Office building	51,849	58,583
Construction in progress	1,020,427	84,961
Total Capital Assets	8,041,584	7,294,146

The District received a one-time payment of \$18,244 from San Isabel Electric for unretired capital credits.

In 2019, the District completed the controls system upgrade at the Spanish Peaks Water Plant (SPWTP). Safety medal doors were installed at the Dodgeton Water Treatment Plant (DWTP). Maintenance of all water treatment facilities was a priority in 2019, which included the replacement of 2 raw water booster pumps and motors at the SPWTP. Cla Vals were replaced at Booster Pump 1, Booster Pump2 and Booster Pump 3. The District continues to upgrade equipment at all of the treatment facilities.

Continuance to look into options of ways to preserve the quality of its water source in the event of a fire or other natural disaster and avoid contaminates in its main water supply, the District purchased software for water and sewer mapping. This software offers the operations superintendent the opportunity to identify and mark every water line, sewer line, man hole and fire hydrant throughout the District.

The District began construction in the fall of 2019, which is expected to be completed by the summer of 2020, on the Spanish Peaks Water System Improvement Project. This project will replace 11,050 feet of water pipe lines, replace multiple locations with new meters and improve fire hydrants capability throughout the Spanish Peaks Subdivision.

Element Engineering conducted a Wastewater System Evaluation on the Wastewater Treatment Plant.

The District purchased a new vac truck for pumping out septic tanks for customers who are presently not tied into the District's sewer system.

A new bar screen and control panel was purchased and installed in the Wastewater Treatment Plant.

The District contributed \$3,000 to Huerfano County Water Conservancy District for further geotechnical investigation of South Baker Creek, Bruce Canyon and engineering design costs for South Baker Creek.

Debt Administration: December 31, 2019, Cucharas Sanitation and Water District owed \$2,242,164 in long term debt. The following is a listing of District debt at December 31, 2019 and December 31, 2018:

	Maturity Date	2019	2018
CWR&PDA Loan - Pinehaven water project 2006	May 2027	358,256	398,918
CWR&PDA Loan - Pinehaven sewer project 2006	May 2027	125,483	139,725
CWR&PDA Loan - Cuchara water tank project 2012	May 2033	62,424	66,415
CWR&PDA Loan - SP Water System Imp. Project 2019	May 2039	1,696,000	
Total Long-Term Debt		2,242,163	605,058

All debts continue to be serviced in a timely manner, using money set aside from operating income.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Cucharas Sanitation and Water District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or for additional financial information should be addressed to the Board of Directors, 16925 State Highway 12, La Veta, Colorado 81055.

BASIC FINANCIAL STATEMENTS

CUCHARAS SANITATION AND WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

	2019
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Equivalents	57,128
Cash with County Treasurer	1,125
Property Tax Receivable	91,357
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$0)	9,744
Inventory	33,871
Prepaid Expenses	3,065
<u>Total Current Assets</u>	196,290
 <u>Noncurrent Assets</u>	
<u>Restricted Assets – Cash and Equivalents</u>	
Debt Covenant	161,935
Construction Funds	2,497,014
<u>Total Restricted Assets</u>	2,658,949
 <u>Capital Assets</u>	
Land and Easements	158,475
Water Rights	652,010
Utility Plant - System	14,060,506
Equipment	426,575
Office Building	181,844
	15,479,410
Accumulated Depreciation	(8,458,253)
<u>Net Plant in Service</u>	7,021,157
Construction in Progress	1,020,427
<u>Total Capital Assets</u>	8,041,584
 <u>Other Assets</u>	
Deposits	-
<u>Total Other Assets</u>	-
<u>TOTAL ASSETS</u>	10,896,823
 <u>DEFERRED OUTFLOW OF RESOURCES</u>	
Pension and OPEB	183,731

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

CUCHARAS SANITATION AND WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

	2019
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Current Maturities - Long-Term Debt	100,443
Accounts Payable	356,396
Accrued Expenses (Interest, Salaries and Benefits)	11,839
Prepaid Service Fees	8,875
Tap Fees Collected – Non Service Area	10,500
Deposits	-
<u>Total Current Liabilities</u>	488,053
<u>NonCurrent Liabilities</u>	
Long-Term Debt	2,141,721
Net Pension Liability	417,882
Net OPEB Liability	35,061
<u>Total NonCurrent Liabilities</u>	2,594,664
<u>TOTAL LIABILITIES</u>	3,082,717
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension and OPEB	90,175
Property Tax	91,357
<u>Total Deferred Inflows</u>	181,532
<u>NET POSITION</u>	
Net Investment in Capital Assets	6,637,735
Restricted for:	
Emergencies	3,200
Debt	161,934
Unrestricted	1,013,436
<u>TOTAL NET POSITION</u>	7,816,305

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

CUCHARAS SANITATION AND WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2019

	2019
<u>OPERATING REVENUES</u>	
Service Fees	<u>666,214</u>
<u>OPERATING EXPENSES</u>	
Personnel	267,393
Directors' Fees	6,400
Legal and Audit	45,680
Professional Service	34,837
Repair and Maintenance	41,857
Travel and Training	4,996
Utilities	53,291
Office and Telephone	16,391
Insurance	19,572
Other General and Administrative Expense	23,864
Bad Debts	-
Pension and OPEB Changes	(47,465)
Depreciation	<u>380,951</u>
	<u>847,767</u>
<u>NET LOSS BEFORE OTHER OPERATING ITEMS</u>	<u>(181,553)</u>
<u>Other Operating Revenue (Expense)</u>	
Property Tax - Operating	104,913
Augmentation Fees	2,040
County Treasurer's Fee	(2,797)
Recoveries, Interest and Other	<u>20,768</u>
<u>NET INCOME (LOSS) FROM OPERATIONS</u>	<u>(56,629)</u>
<u>Other Non Operating Revenue (Expense)</u>	
Interest Earned	35,450
Gain on Sale of Assets	6,500
Interest Expense	(21,819)
Grants	<u>-</u>
<u>NET INCOME (LOSS) BEFORE CONTRIBUTIONS</u>	<u>(36,498)</u>
<u>CAPITAL CONTRIBUTIONS – TAP FEES</u>	<u>-</u>
<u>CHANGE IN NET POSITION</u>	<u>(36,498)</u>
<u>NET POSITION, Beginning</u>	<u>7,852,803</u>
<u>NET POSITION, Ending</u>	<u>7,816,305</u>

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

CUCHARAS SANITATION AND WATER DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

	<u>2019</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers and Users	657,955
Receipts of Taxes and Other	127,721
Payments to Vendors	(313,666)
Payments to Employees	<u>(215,492)</u>
<u>Net Cash Provided (Used) by Operations</u>	<u>256,518</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Proceeds – Debt Issued	-
Capital Grants	1,696,000
Principal Paid on Long-Term Debt	(58,894)
Interest Paid on Long-Term Debt	(21,001)
Proceeds from Sale of Assets	6,500
Acquisition & Construction of Capital Asset (Including Construction in Progress)	(790,866)
Grants & Tap Fees	<u>-</u>
<u>Net Cash Provided (Used) by Capital and Related Financing Activities</u>	<u>831,739</u>
<u>Cash Flows from Investing Activities</u>	
Interest	<u>35,450</u>
<u>Net Cash Provided (Used) in Investing Activities</u>	<u>35,450</u>
<u>Net Increase (Decrease) in Cash</u>	1,123,707
<u>Cash & Cash Equivalents-Beginning of Year</u>	<u>1,593,995</u>
<u>Cash & Cash Equivalents-End of Year</u>	<u>2,717,202</u>
<u>Reconciliation of Cash Flows from Operating Activities:</u>	
Net Income (Loss) – Operations	(56,629)
Adjustments of Reconcile:	
Depreciation	380,951
Changes in Assets, Liabilities and Deferrals:	
Notes Receivable - (Increase) Decrease	-
Accounts Receivable – (Increase) Decrease	(3,622)
Inventory – (Increase) Decrease	(11,800)
Prepaid Expense – (Increase) Decrease	16,004
Other Assets – (Increase) Decrease	-
Accounts Payable – Increase (Decrease)	7,972
Accrued Expense – Increase (Decrease)	7,430
Pension and OPEB Liabilities and Deferrals – Increase (Decrease)	(79,151)
Prepaid Service Fees – Increase (Decrease)	<u>(4,637)</u>
<u>Net Cash Provided (Used) by Operations</u>	<u>256,518</u>
Cash Paid for Income Tax	<u>-</u>
Cash Paid for Interest	<u>-</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Cucharas Sanitation and Water District (the District) is a local government unit created for the purpose of providing water and sanitation services to rate paying customers within a service area allowed by law.

A **Reporting Entity**

The reporting entity, for financial purposes, is defined as the primary government (the Cucharas Sanitation and Water District) and its component units. The District has no component units; the financial statements are comprised of the funds more fully described in subsequent information contained in the footnotes.

The accounting policies of the Cucharas Sanitation and Water District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

B. **Government – Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. All activities of the Cucharas Sanitation and Water District are reported as business-type. Likewise, the *primary government* is reported separately from the District's legally separate *component units* for which the District is financially accountable.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District consists of one major proprietary fund.

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Con't)

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services and ad valorem tax. Operating expenses for the District include the cost of services, administrative expenses, and depreciation on capital assets.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the District as assets with an initial estimated useful life in excess of two year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. An immaterial amount of interest expense was incurred during the current fiscal year and was not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Year</u>
Equipment	5-40

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Budgets and Budgetary Accounting

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget for the fiscal year commencing the following January 1 is developed. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.
4. Budgets for the Enterprise Funds are adopted on a budgetary basis not consistent with generally accepted accounting principles (GAAP).

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. All encumbrances lapse at the end of the year.

G. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. The costs of inventories are recorded as expenditures when they are used.

H. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefits Amounts

Accumulated unpaid vacation, sick pay, and other employee benefits amounts should be accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts would not be accrued in governmental funds (using the modified accrual basis of accounting). Accrued vacation and sick leave payable has not been reflected in the financial statements of the Proprietary Funds as it does not exceed normal accumulations and is not material in relation to the financial statements.

I. Property Taxes

Property taxes represent ad valorem taxes levied by the District, which are payable to the County Treasurer, and are recognized as revenue by the District in the year for which they are levied.

Property taxes are levied in December for collection in the subsequent year.

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

I. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

J. Use of Estimates

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on customer accounts receivable. In connection with the determination of the estimated losses on receivables, management evaluates accounts and relies on historical data.

While management uses available information to recognize losses on receivables, further reductions in the carrying amounts of receivables may be necessary based on changes in economic conditions. Because of these factors, it is reasonable possible that the estimated losses on receivables may change materially in the near term. However, the amount of the change that is reasonable possible cannot be estimated.

K. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

L. Long-Term Obligations

In the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as charges in the year incurred.

CUCHARAS SANITATION AND WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. District debt refundings are reported as deferred outflows, as well as pension payments not yet charged to expense.

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

N. Fund Equity

In the financial statements, funds report restrictions of net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of assets represent tentative management plans that are subject to change.

NOTE 2 **CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Water Rights	<u>652,010</u>	-	-	<u>652,010</u>
Land and Easements	<u>158,475</u>	-	-	<u>158,475</u>
Construction in Progress	<u>84,961</u>	<u>951,014</u>	<u>15,548</u>	<u>1,020,427</u>
Capital Assets Being Depreciated:				
Utility Plant – System	13,923,177	137,329	-	14,060,506
Equipment	394,830	55,594	23,849	426,575
Office Building	<u>181,844</u>	-	-	<u>181,844</u>
Total Capital Assets Being Depreciated	<u>14,499,851</u>	<u>192,923</u>	<u>23,849</u>	<u>14,668,925</u>
Less Accumulated Depreciation	<u>8,101,151</u>	<u>380,951</u>	<u>23,849</u>	<u>8,458,253</u>
<u>Business-Type Activities</u>				
<u>Capital Assets, Net</u>	<u>7,294,146</u>	<u>762,986</u>	<u>15,548</u>	<u>8,041,584</u>

**CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 3 CASH AND DEPOSITS

The District's deposits at year end were covered by Federal depository insurance or secured under the Public Deposit Protection Act of the State of Colorado, whereby the custodial bank pledges collateral for amounts on deposit in excess of the amount guaranteed by the FDIC for governmental entities.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured	250,000	250,000
Uninsured, Collateralized Under the Public Deposit Protection Act of the State of Colorado	<u>163,045</u>	<u>96,558</u>
<u>Sub-Total</u>	<u>413,045</u>	<u>346,558</u>
Cash with County Treasurer	-	1,125
Cash Equivalents	-	1,531,002
Construction Funds at CWR & PDA	-	838,315
Cash on Hand	-	202
<u>Total Cash and Deposits</u>	<u>413,045</u>	<u>2,717,202</u>

Cash of \$3,200 is restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado. (See Note 6)

Cash Equivalents represent the District's holdings in Colotrust. Colotrust is a liquid asset trust holding pooled investments meeting the legal requirements for Colorado local governments.

As presented above, deposits with a bank balance of \$163,045 and a carrying balance of \$96,558 as of December 31, 2019 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

NOTE 4 COMPENSATED ABSENCES

There is not a material liability for compensated absences at December 31, 2019.

NOTE 5 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 year.

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses 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 initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future 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 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1996 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voters approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

In November 2000, the registered voters of the District approved a measure to allow the District to collect, retain and expend all revenues from any source without limitation including the District's existing property tax rate of 8.094 mills. The rate cannot be increased without voter approval.

The District's management believes it is in compliance with the provisions of TABOR. However TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits (and qualification as an Enterprise) will require judicial interpretation.

CUCHARAS SANITATION AND WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019

NOTE 7 LONG-TERM DEBT

The following is a summary of the transactions in the District's long-term debt.

	<u>Balance at</u> <u>1-1-2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>12-31-2019</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
CWR & PDA Loan 2019	-	1,696,000	-	1,696,000	39,391
CWR & PDA Loan 2006	538,643	-	54,903	483,740	56,981
CWR & PDA Loan 2012	<u>66,415</u>	<u>-</u>	<u>3,991</u>	<u>62,424</u>	<u>4,071</u>
<u>Total</u>	<u>605,058</u>	<u>1,696,000</u>	<u>58,894</u>	<u>2,242,164</u>	<u>100,443</u>

Long-Term Debt as of December 31, 2019 is comprised of the following:

2006 - Colorado Water Resources and Power Development Authority Loan – The District obtained a loan in 2006 from the Colorado Water Resources and Power Development Authority (CWR & PDA) to extend water and sewer services within the District. The loan was made in the amount of \$1,037,000 for a term of 20 years with interest at a rate of 3.75%. Payments began on November 1, 2007 and will be made every six months through May 1, 2027. A schedule of debt service to maturity follows:

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
2020	56,981	17,611
2021	59,138	15,454
2022	61,377	13,216
2023	63,700	10,892
2024	66,111	8,481
2025	68,613	5,979
2026	71,210	3,382
2027	<u>36,610</u>	<u>686</u>
	<u>483,740</u>	<u>75,701</u>

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 7 **LONG-TERM DEBT (Continued)**

2012 - Colorado Water Resources and Power Development Authority Loan – The District obtained a loan in 2013 from the Colorado Water Resources and Power Development Authority (CWR & PDA) for construction of a water tank. The loan was made in the amount of \$87,000 for a term of 20 years with interest at a rate of 2%. Payments begin on November 1, 2013 and will be made every six months through May 1, 2033. A schedule of debt service to maturity follows:

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
2020	4,071	1,228
2021	4,153	1,146
2022	4,236	1,063
2023	4,322	978
2024	4,408	891
2025	4,497	802
2026	4,587	712
2027	4,680	620
2028	4,774	526
2029	4,870	430
2030	4,967	332
2031	5,067	232
2032	5,169	130
2033	<u>2,623</u>	<u>26</u>
	<u>62,424</u>	<u>9,116</u>

2019 – Colorado Water Resources and Power Development Authority Loan – The District obtained a loan in 2019 from the Colorado Water Resources and Power Development Authority (CWR&PDA) for improvements to water treatment and distribution facilities. The loan was made in the amount of \$1,696,000 for a term of 20 years with interest at a rate of 2.5% annually. Payments begin on May 1, 2020 and will be made every six months through November 1, 2039. A schedule of debt service to maturity follow:

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
2020	39,391	24,665
2021	69,078	40,986
2022	70,816	39,248
2023	72,598	37,467
2024	74,424	35,641
2025	76,296	33,768
2026	78,215	31,849
2027	80,183	29,882
2028	82,200	27,864
2029	84,268	25,797
2030	86,388	23,677
2031	88,561	21,503
2032	90,789	19,276
2033	93,073	16,992
2034	95,414	14,650
2035	97,814	12,250
2036	100,275	9,789
2037	102,798	7,267
2038	105,384	4,681
2039	<u>108,035</u>	<u>2,030</u>
	<u>1,696,000</u>	<u>459,282</u>

CUCCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 7 **LONG-TERM DEBT (Continued)**

As a condition of the CWR & PDA debts, the District must certify to the Authority the following information:

1. **Compliance with rate covenant** – the rate covenant requires that fees charged and collected be at least sufficient each year to pay the sum of amounts required to pay operating and maintenance expenses (as defined) of \$443,851 in 2019, 110% of the debt service on these loans of \$87,880 in 2019, debt reserve payment of \$0 in 2019, subordinate lien debt service of \$0 in 2019, and other debt service payable from the above fees of \$0 in 2019. The \$531,731 total requirement of the covenant was exceeded by fees of \$668,254 for the year ended December 31, 2019.
2. **Compliance with operations and maintenance reserve covenant** – the reserve requirement is estimated to be approximately \$142,000 at December 31, 2019 based on Exhibit F of the loan agreement. The District had a maintained reserve account of \$160,000 at December 31, 2019.
3. **Lien representation** – the property pledged for this debt, except as disclosed to the Authority in writing, is free and clear of any pledge, lien, charge or encumbrance.

NOTE 8 **STATEMENT OF INCOME - BUDGET (NON-GAAP) AND ACTUAL**

	2019		Variance- Favorable
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<u>OPERATING REVENUES</u>	<u>656,986</u>	<u>666,214</u>	<u>9,228</u>
<u>OPERATING EXPENSES</u>	<u>2,735,470</u>	<u>1,722,062</u>	<u>1,013,408</u>
<u>OTHER OPERATING REVENUE (EXPENSE)</u>	<u>109,831</u>	<u>124,924</u>	<u>15,093</u>
<u>OTHER NON OPERATING REVENUE (EXPENSE)</u>	<u>1,742,500</u>	<u>1,731,450</u>	<u>(11,050)</u>
<u>NET INCOME (LOSS)(NON-GAAP)</u>	<u>(226,153)</u>	800,526	
<u>RECONCILING ITEMS TO</u>			
<u>GAAP NET INCOME (LOSS)</u>			
Debt Proceeds		(1,696,000)	
Debt Principal		58,894	
Depreciation		(380,951)	
Capital Outlay		1,127,886	
Pension and OPEB		47,465	
Tap Fees		-	
Change in Accrued Interest Payable		(818)	
Gain (Loss) on Disposition of Assets		<u>6,500</u>	
<u>NET INCOME (LOSS) (GAAP BASIS)</u>		<u>(36,498)</u>	

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 9 **DEFINED BENEFIT PENSION PLAN**

Summary of Significant Accounting Policies:

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the LGDTF that were in effect on the LGDTF's December 31, 2018 measurement date are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employee contribution rates for the LGDTF 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, increases 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, the direct distribution from the State, 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 members of the Local Government Division hired on or after January 1, 2019. 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.

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 9 **DEFINED BENEFIT PENSION PLAN (Continued)**

General Information about the Pension Plan

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

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s), under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

**CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

December 31, 2019

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

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, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. §24-51-413.

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

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

Contributions provisions as of December 31, 2019: Eligible employees and the Cucharas Sanitation and Water District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of January 1, 2019 through December 31, 2019. The employer contribution requirements during the period of January 1, 2019 through December 31, 2019 are summarized in the table below:

	For the Year Ended December 31, 2019
Employer Contribution Rate	10.00 %
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%
Total Employer Contribution Rate to the LGDTF	12.68%

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

**CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

December 31, 2019

NOTE 9 **DEFINED BENEFIT PENSION PLAN (Continued)**

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Cucharas Sanitation and Water District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Cucharas Sanitation and Water District were \$28,529 for the year ended December 31, 2019.

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

At December 31, 2019, the Cucharas Sanitation and Water District reported a liability of \$417,882 for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The Cucharas Sanitation and Water District proportion of the net pension liability was based on the Cucharas Sanitation and Water District contributions to the LGDTF for the calendar year 2018 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2018, the Cucharas Sanitation and Water District proportion was .03323874 percent, which was a decrease of .0012 percent from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Cucharas Sanitation and Water District recognized pension income of \$49,622. At December 31, 2019, the Cucharas Sanitation and Water 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	17,473	(80,022)
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	134,442	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(8,913)
Contributions subsequent to the measurement date	28,529	N/A
Total	180,444	(88,935)

\$28,529 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2019	
2020	25,184
2021	5,057
2022	3,032
2023	29,707
2024	-
Thereafter	-

**CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018.

Discount Rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
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 based on 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.

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 9 **DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

**CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, 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 to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	639,273	417,882	232,666

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

Changes between the measurement date of the net pension liability and December 31, 2019.

During the 2019 legislative session, the Colorado General Assembly passed HB 19-1217: *PERA Public Employee's Retirement Association Local Government Division Member Contribution Rate*. The bill was signed into law by Governor Polis on May 20, 2019, and eliminates the 2 percent increase in the contribution rate for members in the Local Government Division mandated by SB 18-200.

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 9 **DEFINED BENEFIT PENSION PLAN (Continued)**

Defined Contribution Pension Plans

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2019, there were no contributions.

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS**

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. The Cucharas Sanitation and Water 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.

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

General Information about the OPEB Plan

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

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.

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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 Cucharas Sanitation and Water District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Cucharas Sanitation and Water District were \$2,292 for the year ended December 31, 2019.

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

At December 31, 2019, the Cucharas Sanitation and Water District reported a liability of \$35,061 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Cucharas Sanitation and Water District proportion of the net OPEB liability was based on Cucharas Sanitation and Water District' contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

At December 31, 2018, the Cucharas Sanitation and Water District proportion was 0.0026 percent, which was a decrease of 0.0001 percent from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Cucharas Sanitation and Water District recognized OPEB expense of \$2,158. At December 31, 2019, the Cucharas Sanitation and Water 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	127	(54)
Changes of assumptions or other inputs	245	-
Net difference between projected and actual earnings on OPEB plan investments	623	(420)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(766)
Contributions subsequent to the measurement date	2,292	N/A
Total	3,287	(1,240)

\$2,292 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,	
2020	(74)
2021	(74)
2022	(74)
2023	66
2024	(89)
Thereafter	-

**CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
United Healthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

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

**CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
United Healthcare Medicare HMO	400

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and 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, 2017, 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
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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.

**CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

**CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	34,093	35,061	36,174

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, 2018, measurement date.

CUCHARAS SANITATION AND WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- 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 middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	39,231	35,061	31,497

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

CUCHARAS SANITATION AND WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019

NOTE 11 COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL

The District is one of approximately 360 special districts which are members of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability and public officials coverage for claims up to \$1,000,000. The Pool is self insured for 100% of the first \$150,000 of all claims and covered 100% for claims in excess of 150,000 (not to exceed \$850,000).

Employment related wrongful termination claims are shared 50% with the Pool up to \$200,000 (\$100,000 Pool and \$100,000 District). The District is responsible for all claims in excess of \$200,000.

The District pays annual premiums to the Pool for liability, property and public officials coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from insurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

A summary of the latest available audited financial information for the Pool as of and for the year ended December 31, 2018 is as follows:

Assets	<u>63,918,422</u>
Liabilities	39,345,647
Capital and Surplus	<u>24,572,775</u>
	<u>63,918,422</u>
Revenue	20,983,559
Underwriting Expenses	<u>22,973,705</u>
Underwriting Gain (Loss)	(1,990,146)
Other Income - Investment	898,330
Other – Change in Non Admitted Assets	<u>(122,776)</u>
Net Income (Loss) and Changes	<u>1,214,592</u>

There is no current or long-term debt outstanding; the above liabilities represent incurred claims and an estimated liability for incurred but not reported claims at December 31, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION TREND DATA

OPEB TREND DATA

CUCCHARAS SANITATION AND WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District's proportion of the net pension liability (asset)	.0332%	.0345%	.0350%	.0338%	.0397%	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$417,882	\$383,920	\$473,517	\$372,348	\$355,725	-	-	-	-	-
District's covered payroll	\$224,677	\$218,013	\$216,330	\$212,546	\$191,965	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	186%	176%	218%	175%	185%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	75.96%	79.36%	73.64%	76.87%	80.72%	-	-	-	-	-

CUCCHARAS SANITATION AND WATER DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
For The Last 10 Fiscal Years (As Available)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 28,529	\$ 27,644	\$ 27,430	\$ 26,951	\$ 24,341	\$ 27,576	\$ 28,767	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (28,529)</u>	<u>\$ (27,644)</u>	<u>\$ (27,430)</u>	<u>\$ (26,951)</u>	<u>\$ (24,341)</u>	<u>\$ (27,576)</u>	<u>\$ (28,767)</u>	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-
District's covered payroll	\$224,677	\$218,013	\$216,330	\$212,546	\$191,965	\$217,471	\$226,830	-	-	-
Contributions as a percentage of covered payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	-	-	-

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

CUCCHARAS SANITATION AND WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST EMPLOYMENT BENEFIT LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District's proportion of the net OPEB liability (asset)	.00277%	.00268%	.00269%	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset)	\$35,061	\$34,820	\$34,900	-	-	-	-	-	-	-
District's covered payroll	\$224,677	\$218,013	\$216,330	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	15.60%	15.97%	16.13%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.72%	-	-	-	-	-	-	-

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

**CUCCHARAS SANITATION AND WATER DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
For The Last 10 Fiscal Years (As Available)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 2,292	\$ 2,223	\$ 2,207	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (2,292)</u>	<u>\$ (2,223)</u>	<u>\$ (2,207)</u>	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	-	-	-	-	-	-	-
District's covered payroll	\$224,677	\$218,013	\$216,330	-	-	-	-	-	-	-
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	-	-	-	-	-	-	-

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

SUPPLEMENTAL INFORMATION

**CUCHARAS SANITATION AND WATER DISTRICT
STATEMENT OF INCOME
BUDGET (NON-GAAP) AND ACTUAL
Year Ended December 31, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>OPERATING REVENUES</u>			
Service Fees	656,986	666,214	<u>9,228</u>
<u>OPERATING EXPENSES</u>			
Personnel	283,953	267,393	16,560
Directors Fees	8,000	6,400	1,600
Legal and Audit	53,750	45,680	8,070
Professional Services	37,000	34,837	2,163
Repair and Maintenance	68,000	41,857	26,143
Travel and Training	6,000	4,996	1,004
Utilities	68,200	53,291	14,909
Office and Telephone	12,150	16,391	(4,241)
Insurance	19,205	19,572	(367)
Other General & Administrative	11,840	23,864	(12,024)
Debt Service Principal & Interest	79,372	79,895	(523)
Capital Outlay	<u>2,088,000</u>	<u>1,127,886</u>	<u>960,114</u>
	<u>2,735,470</u>	<u>1,722,062</u>	<u>1,013,408</u>
<u>OPERATING LOSS</u>	(2,078,484)	(1,055,848)	
<u>OTHER OPERATING REVENUE AND EXPENSE</u>			
Property Tax - Operating	104,141	104,913	772
Augmentation Fees	2,040	2,040	-
Other Capital Revenues	-	-	-
Contingency/Reserves	-	-	-
County Treasurer Fees	(3,300)	(2,797)	503
Bad Debt Expense	-	-	-
Recoveries, Interest and Other	6,950	20,768	13,818
<u>OTHER NON OPERATING REVENUE AND EXPENSE</u>			
Interest Income	31,500	35,450	3,950
Debt Proceeds	1,446,000	1,696,000	250,000
Capital Grants	250,000	-	(250,000)
Tap and Capital Fees	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
	<u>1,852,331</u>	<u>1,856,374</u>	<u>4,043</u>
<u>NET INCOME (LOSS)(NON-GAAP)</u>	<u>(226,153)</u>	800,526	
<u>RECONCILING ITEMS</u>			
Depreciation		(380,951)	
Debt Principal		58,894	
Debt Proceeds		(1,696,000)	
Capital Outlay		1,127,886	
Tap Fees		-	
Pension and OPEB Changes		47,465	
Gain (Loss) on Disposition of Assets		6,500	
Change in Accrued Interest		<u>(818)</u>	
<u>NET INCOME (LOSS)-GAAP BASIS</u>		<u>(36,498)</u>	

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

SINGLE AUDIT SECTION

164 E. MAIN
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Cucharas Sanitation and Water District
Cuchara, Colorado 81055

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Cucharas Sanitation and Water District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Cucharas Sanitation and Water District's basic financial statements, and have issued our report thereon dated June 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cucharas Sanitation and Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cucharas Sanitation and Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cucharas Sanitation and Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (See item 2019-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cucharas Sanitation and Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sidon, Waller & Co., Inc.

June 19, 2020

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Directors
Cucharas Sanitation and Water District
Cuchara, Colorado 81055

Report on Compliance for Each Major Federal Program

We have audited Cucharas Sanitation and Water District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cucharas Sanitation and Water District's major federal programs for the year ended December 31, 2019. Cucharas Sanitation and Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cucharas Sanitation and Water District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cucharas Sanitation and Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cucharas Sanitation and Water District's compliance.

Opinion on Each Major Federal Program

In our opinion, Cucharas Sanitation and Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Cucharas Sanitation and Water District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cucharas Sanitation and Water District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cucharas Sanitation and Water District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Didon, Waller & Co., Inc.

June 19, 2020

CUCHARAS SANITATION AND WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

Auditor's Report

An unmodified report has been issued on the financial statements of Cucharas Sanitation and Water District.

Internal Control Over Financial Reporting

A significant deficiency was disclosed by the audit; there were no material weaknesses identified.

Noncompliance Material to Financial Statements

No instances of noncompliance in amounts material to the financial statements of Cucharas Sanitation and Water District were disclosed by the audit.

FEDERAL AWARDS

Internal Control Over Major Programs

No significant deficiencies or material weaknesses were identified.

Auditor's Report on Compliance for Major Programs

An unmodified report has been issued on Cucharas Sanitation and Water District compliance for major programs.

Audit Findings

No findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

Major Programs

Capitalization Grants for Drinking Water State Revolving Funds 66.468

Dollar Threshold to Distinguish Type A and Type B Programs

\$750,000.

Qualification as low-risk auditee

Cucharas Sanitation and Water District did not qualify as a low-risk auditee for the year ended December 31, 2019.

**CUCHARAS SANITATION AND WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019**

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Item 2019-001

Cucharas Sanitation and Water District has an inherent problem it shares with other entities in that it has a limited number of personnel performing accounting and administrative functions. Therefore, a proper separation of duties and responsibilities is not possible.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**CUCHARAS SANITATION AND WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>United States Environmental Protection Agency</u> (Passed through Colorado Water Resources and Power Development Authority)		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>\$857,685</u>

The accompanying notes are an integral part of this schedule.

CUCHARAS SANITATION AND WATER DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

NOTE 1 **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes grant activity of Cucharas Sanitation and Water District and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

NOTE 2 **INDIRECT COSTS**

The District has elected not to use the 10 percent de minimis indirect cost rate.