



Soldier Canyon Water Treatment Authority

Financial Statements and Supplementary Information

For the Period from February 1, 2017 (Inception) to
December 31, 2017

Soldier Canyon Water Treatment Authority

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Independent Auditor's Report

Board of Directors
Soldier Canyon Water Treatment Authority
Fort Collins, Colorado

We have audited the accompanying basic financial statements of the Soldier Canyon Water Treatment Authority (the "Authority"), as of December 31, 2017 and for the period from February 1, 2017 (Inception) to December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Soldier Canyon Water Treatment Authority as of December 31, 2017, and the changes in financial position and its cash flows for the period from February 1, 2017 (Inception) to December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matters

As discussed in Note 2 to the financial statements, the Authority was formed by the transfer of net assets and operations of Soldier Canyon Filter Plant (the "Plant") on February 1, 2017. Additionally, as described in Note 3 to the financial statements, three water districts that were formerly joint venture participants in the Plant contributed all related capital asset and ownership in the joint venture to the Authority in exchange for water treatment capacity. Our opinion is not modified with respect to these matters.

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 3 through 7, Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 26, and Schedule of Authority Contributions on page 27 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues and Expenses - Budget and Actual (Budgetary Basis) on pages 28 and 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Anton Collins Mitchell LLP

Greeley, Colorado
April 12, 2018

Soldier Canyon Water Treatment Authority

Management's Discussion and Analysis

Management's discussion and analysis is designed to provide an analysis of the Soldier Canyon Water Treatment Authority's (the "Authority") financial condition and operating results and to also inform the reader on the Authority's financial issues and activities.

The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Authority's basic financial statements (beginning on page 7).

2017 Highlights - Business-Type Activities

- As of December 31, 2017, the Authority's net position was \$27,490,809
- Total operating revenues were \$3,227,172 for 2017
- Total operating expenses were \$4,218,827 for 2017
- Net capital assets were \$25,388,651 in 2017
- The Authority has no long-term debt

Using this Annual Report

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado engaged only in a business-type activity. As an enterprise fund, the Authority's basic financial statements include:

Statement of Net Position - report the Authority's current financial resources (short-term spendable resources) with capital assets and long-term obligations (See page 7).

Statement of Revenues, Expenses and Changes in Net Position - report the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions (See page 8).

Statement of Cash Flows - report the Authority's cash flows from operating activities, investing, capital and non-capital activities (See page 9).

Soldier Canyon Water Treatment Authority

Management's Discussion and Analysis

Condensed Statement of Net Position

December 31,	<u>2017</u>
Current assets	\$ 4,731,632
Capital assets, net	<u>25,388,651</u>
<u>Total assets</u>	<u>30,120,283</u>
Deferred outflows of resources	<u>880,083</u>
Current Liabilities	446,618
Long-term liabilities	<u>3,033,489</u>
<u>Total liabilities</u>	<u>3,480,107</u>
Deferred inflows of resources	<u>29,450</u>
Net investment in capital assets	25,388,651
Unrestricted	<u>2,102,158</u>
<u>Total net position</u>	<u>\$27,490,809</u>

The net position of the Authority was \$27,490,809 at December 31, 2017.

Review of Revenues

Water charges were \$3,227,172 during 2017.

Review of Operating Expenses

Years Ending December 31,	<u>2017</u>
Operating Expenses:	
Operating and maintenance	\$ 3,365,612
Administrative services	226,074
Depreciation	<u>627,141</u>
<u>Total</u>	<u>\$ 4,218,827</u>

In 2017, operations and maintenance expenses were 9% over the final. Depreciation was \$627,141 in 2017.

Soldier Canyon Water Treatment Authority

Management's Discussion and Analysis

Capital Contributions and Transfers

The Loveland/Ft. Collins, East Larimer County and North Weld County Water Districts (the "Districts") contributed \$2,258,725, \$2,247,853 and \$806,072 to the Authority during 2017, respectively. The Districts contributed their ownership in Soldier Canyon Filter Plant and related capital assets, to the Authority in exchange for specified water treatment capacity. The total amount contributed was \$22,665,492.

Capital Asset Additions

Year Ended December 31,	<u>2017</u>
Filter plant	\$ 22,665,492
Equipment	\$ 1,428,674
Total	<u>\$ 24,094,166</u>

Additions in 2017 were:

- Water treatment filter plant and improvements, safety equipment, and general equipment totaling \$24,094,166.

Debt and Other Financial Obligations

The Authority has no outstanding debt at December 31, 2017.

Basic Service Fees, Rates and Changes

The Authority's rates are reviewed and established by the Board of Directors to cover operations and maintenance costs of the Authority.

The Districts are charged based upon a rolling twelve month average of water processed through the system. Water used by the Districts is billed separately to each district.

Capital Improvement Program

The Authority's long-range plan revolves around the Master Plan from each of the water districts, which are based upon demand or regulation of water quality.

Soldier Canyon Water Treatment Authority

Management's Discussion and Analysis

The following table sets forth a summary of the Authority's capital assets acquired during 2017.

Capital Projects/Equipment Acquisition Summary (Funded Projects) 2017

	Year	Cost
Filter plant	2017	\$ 22,665,492
Plant upgrade evaluation	2017	754,661
Water treatment improvements	2017	159,983
Control system improvements	2017	75,645
HydroPower project	2017	402,943
Skid steer & bucket	2017	35,442
Grand Total		\$ 24,094,166

Financial Contract

The Authority's financial statements are designed to present users with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional financial information please contact our staff, at 4424 Laporte Avenue, Fort Collins, Colorado 80521.

Basic Financial Statements

Soldier Canyon Water Treatment Authority

Statement of Net Position

December 31, 2017

Assets	
Current assets:	
Cash and cash equivalents	\$ 2,560,063
Accounts receivable	2,018,944
Prepaid expenses	100,367
Inventory of chemicals	52,258
Total current assets	4,731,632
Capital assets, net	25,388,651
Total assets	30,120,283
Deferred outflows of resources:	
Deferred outflows of resources relating to pensions	880,083
Total deferred outflows of resources	880,083
Liabilities	
Current liabilities:	
Accounts payable	276,846
Accrued payroll liabilities	82,251
Accrued compensated absences	87,521
Total current liabilities	446,618
Net pension liability	3,033,489
Total liabilities	3,480,107
Deferred inflows of resources:	
Deferred inflows of resources relating to pensions	29,450
Total deferred inflows of resources	29,450
Net position:	
Net investment in capital assets	25,388,651
Unrestricted	2,102,158
Total net position	\$ 27,490,809

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

Soldier Canyon Water Treatment Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Period from February 1, 2017 (Inception) to December 31, 2017

Operating revenues:	
Water charges	\$ 3,227,172
Total operating revenues	3,227,172
Operating expenses:	
Water treatment	3,365,612
Administration and general	226,074
Depreciation	627,141
Total operating expenses	4,218,827
Operating loss	(991,655)
Net loss before contributions	(991,655)
Cash contributions from participants	5,312,650
Capital contributions from participants	22,665,492
Change in net position	26,986,487
Net position of the Plant as of January 31, 2017	504,322
Net position at end of year	\$ 27,490,809

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

Soldier Canyon Water Treatment Authority

Statement of Cash Flows

For the Period from February 1, 2017 (Inception) to December 31, 2017

Cash flows from operating activities:	
Cash received from customers	\$ 1,635,519
Cash paid to employees	(1,605,337)
Cash paid to suppliers	(1,876,898)
Net cash flows used in operating activities	(1,846,716)
Cash flows from capital and related financing activities:	
Capital expenditures	(1,207,785)
Cash Contributions from Participants	5,312,650
Net cash flows from capital and related financing activities	4,104,865
Net change in cash and cash equivalents	2,258,149
Cash and cash equivalents of the Plant as of January 31, 2017	301,914
Cash and cash equivalents at end of year	\$ 2,560,063
Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	\$ (991,655)
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation	627,141
Changes in operating assets and liabilities:	
Receivables	(1,591,653)
Prepaid expenses	(3,844)
Inventory of chemicals	26,803
Accounts payable	(293,137)
Accrued payroll liabilities	35,049
Accrued compensated absences	12,768
Pension liability and related items	331,812
Net cash flows used in operating activities	\$ (1,846,716)
Supplemental noncash flow information:	
Capital assets acquired through contributions from the Districts	\$ 22,665,492
Capital assets acquired through accounts payable	\$ 220,889

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

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization

The Soldier Canyon Water Treatment Authority (the "Authority") was formed on February 1, 2017 as a result of the transfer of all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Soldier Canyon Filter Plant (the "Plant"), as further described in Note 2. The purpose of the Authority is to provide treated water to three water districts that have acquired water treatment capacity (the right to purchase water) from the Authority. In conformity with accounting principles generally accepted in the United States ("GAAP") issued by the Governmental Accounting Standards Board ("GASB"), the Authority is the reporting entity for financial reporting purposes. The Authority is the lowest level of government having financial accountability and control to provide water filtration service within the political subdivision identified as the Soldier Canyon Water Treatment Authority. The accounts of the Authority are organized on the basis of a proprietary fund. The operations of the Authority are accounted for with a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

Financial Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board, and either, a) the ability to impose its will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government

Based on the above criteria, there are no other organizations that would be considered component units of the Authority.

Basic Financial Statements

The Authority is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with operations are included on the statement of net position. Revenues are recorded in the accounting period in which they are earned and become measurable; expenses are recorded in the period in which they are incurred and become measurable. Net position is segregated into net investment in capital assets, restricted and unrestricted net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with Colorado state statutes. The budget is prepared on a basis consistent with GAAP, except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues.

1. On or about October 15, the Authority staff submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at regular meetings of the Board of Directors to obtain taxpayer comments.
3. Prior to December 15, the budget is legally adopted by the Board of Directors.
4. Unused appropriations lapse at the end of each year.
5. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors throughout the year.

The original and revised budget for total expenditures for the period from February 1, 2017 (inception) to December 31, 2017 was \$8,559,824.

Cash and Cash Equivalents

The Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Allowance for Doubtful Accounts

No allowance is made for bad debts in the accompanying financial statements as substantially all revenues of the Authority originate from charges to the Districts, and thus, bad debts are deemed unlikely.

Inventory

Inventories, primarily consisting of chemicals, are shown in the financial statements at cost, using the first-in first-out method of accounting.

Capital Assets

Capital assets purchased or contributed with an original cost or fair value of \$5,000 or more are capitalized using historical cost or fair value. Expenditures for maintenance and repairs are charged to operations as incurred. Property replacements and improvements, which extend the lives of assets, are capitalized and subsequently depreciated.

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

The provision for depreciation is computed using the straight-line method over the estimated useful lives of the assets. The lives used for individual components classified as equipment are as follows:

	Estimated Useful Life
Equipment	5 - 10 years
Filter plant	50 years

Compensated Absences

Obligations associated with the Authority's vacation policy are recorded as a liability and expensed when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is considered a current liability. The Authority's liability for accrued compensated absences was \$87,521 at December 31, 2017.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Deferred Outflows/Inflows of Resources

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

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

Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation of these assets reduces this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restriction imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the Authority which is not restricted for any project or other purpose. A deficit will require future funding.

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

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

Revenue Recognition

Revenues are recognized when earned. Amounts are billed on a monthly basis.

Pensions

The Authority 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.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Transfer of Operations

Effective February 1, 2017, the Plant transferred all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and operations to the Authority. The following table presents the amounts carried over at historical cost, or net book value, as of February 1, 2017:

<i>February 1,</i>	2017
Current assets	\$ 904,789
Capital assets	1,921,626
Total assets	2,826,415
Total deferred outflows of resources	602,505
Current liabilities	471,049
Long-term liabilities	2,295,780
Total liabilities	2,766,829
Total deferred inflows of resources	157,769
Net position transferred to the Authority	\$ 504,322

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

3. Water Treatment Capacity Arrangements

In connection with the formation of the Authority, as described in Note 2, the North Weld County Water District ("NWCWD"), Fort Collins and Loveland Water District ("FCLWD"), and East Larimer County Water District ("ELCO"), collectively the Districts, contributed their ownership in the Plant (previously accounted for as a joint venture), along with the related capital assets, to the Authority in exchange for specified water treatment capacity. The Authority has accounted for these as capital contributions in the accompanying statement of revenues, expenses and changes in net position, with a corresponding increase in capital assets. The total amount contributed during the period from February 1, 2017 (inception) to December 31, 2017 was approximately \$22,670,000.

4. Cash and Investments

Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes ("CRS") require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2017, the Authority had deposits with a financial institution with a carrying amount of \$2,559,813. The bank balance with the financial institution was \$2,646,005, of which, \$250,000 was covered by federal depository insurance. The remaining balance of \$2,396,005 at December 31, 2017, was collateralized with securities held by the financial institutions' agents but not in the Authority's name.

Investments

Colorado state statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Certificates of deposit with an original maturity in excess of three months
- Obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Authority's policy is to hold investments until maturity.

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

Interest Rate Risk

The Authority does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however the Authority adheres to state statutes. Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial instruction through the PDPA. As of December 31, 2017, none of the Authority's bank balances were exposed to custodial credit risk.

5. Capital Assets

The following is a summary of capital asset activity for the period from February 1, 2017 (Inception) to December 31, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated				
Filter plant	\$ -	\$ 22,665,492	\$ -	\$ 22,665,492
Equipment	1,921,626	1,428,674	-	3,350,300
Total capital assets being depreciated	1,921,626	24,094,166	-	26,015,792
Less accumulated depreciation				
Filter plant	-	(415,541)	-	(415,541)
Equipment	-	(211,600)	-	(211,600)
Total accumulated depreciation	-	(627,141)	-	(627,141)
Total capital assets, net	\$ 1,921,626	\$ 23,467,025	\$ -	\$ 25,388,651

6. Public Employees' Retirement Association of Colorado

Plan description

Eligible employees of the Authority are provided with pensions through the Local Government Division Trust Fund – 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, administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the Federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

Benefits provided

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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

Contributions

Eligible employees and the Authority are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under CRS § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement ("AED") as specified in CRS § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement ("SAED") as specified in CRS 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

¹Rates are expressed as a percentage of salary as defined in CRS § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Authority were \$168,641 for the period from February 1, 2017 (Inception) to December 31, 2017.

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

At December 31, 2017, the Authority reported a liability of \$3,033,489 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Authority's proportion of the net pension liability was based on the Plant's contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF. When the Plant transferred operations to the Authority on February 1, 2017, the pension related accounts came over at the Plant's carrying value.

At December 31, 2016, the Authority's proportion was 0.22465 percent.

For the period from February 1, 2017 (inception) to December 31, 2017, the Authority recognized pension expense of \$522,926. At December 31, 2017, the Authority 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
Differences between expected and actual experience	\$ 53,982	\$ -
Changes of assumptions or other inputs	215,171	8,772
Net difference between projected and actual earnings on pension plan investments	364,309	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	77,980	20,678
Authority contributions subsequent to the measurement date	168,641	-
Total	\$ 880,083	\$ 29,450

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

The \$168,641 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, 2018. 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,	Amortization
2018	\$ 399,857
2019	166,461
2020	101,845
2021	13,829
	\$ 681,992

Actuarial assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

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

Soldier Canyon Water Treatment Authority

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Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for males or females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back 1 year, and females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The 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. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target 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%.

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:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net pension liability	\$ 4,472,741	\$ 3,033,489	\$ 1,839,385

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

Pension plan fiduciary net position

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

7. Other Post-Employment Benefits

Plan description

The Authority contributes to the Health Care Trust Fund ("HCTF"), a cost sharing multiple employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy

The Authority is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the CRS, as amended. For the period from February 1, 2017 (inception) to December 31, 2017, the Authority's contributions to the HCTF were \$13,566 equal to their required contributions for year.

8. Voluntary Investment Program

Plan description

Employees of the Authority 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. Plan participation is voluntary and contributions are separate from other contributions made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the CRS, as amended. In addition, the Authority has agreed to match employee contributions up to 3 percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. During the period from February 1, 2017 (Inception) to December 31, 2017, program members contributed \$15,014 and the Authority recognized pension expense of \$4,619, for the Voluntary Investment Program.

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

9. Risk Management

The Authority is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority is a member of the Colorado Special District Property and Liability Pool (“CSDPLP”). The Authority has joined together with other special districts in the State of Colorado. This is a public entity risk pool currently operating as a common risk management and insurance program for members. The Authority pays annual contributions for its property and casualty insurance coverage. The intergovernmental agreement provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the pool will purchase excess insurance through commercial companies for members’ claims in excess of specified self-insurance retention.

At December 31, 2016 (the most current audited financial statements) CSDPLP has total admitted assets of \$52,645,796, liabilities of \$28,757,242, and unassigned surplus of \$23,888,554. The liability amount includes no long-term debt. Total revenue for 2016 amounted to \$19,338,769 and total expenses were \$14,100,230 resulting in net income of \$5,238,539. The amount of the Authority’s share of these amounts is less than 1%.

10. Contingencies

The Authority is self-insured for property and liability insurance. As discussed in Note 9, the Authority is a member of the CSDPLP. The CSDPLP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CSDPLP has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs.

The ultimate liability to the Authority resulting from claims not covered by CSDPLP is not presently determinable. Management is of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the Authority.

11. Related Party Transactions

As described in Note 3, the Authority has granted service capacity to the Districts. Substantially all of the revenue of the Authority is derived from the Districts. Therefore, the Authority’s operations are economically dependent on the continued utilization of the Authority’s facilities by the Districts.

Soldier Canyon Water Treatment Authority

Notes to Financial Statements

During the period from February 1, 2017 (Inception) to December 31, 2017 the following revenues were billed to the Districts and the following amounts were owed from the Districts to the Authority:

Period from February 1, 2017 (Inception) to December 31, 2017

Operating revenues:

Fort Collins/Loveland Water District	\$ 1,333,775
East Larimer County Water District	575,162
North Weld County Water District	1,318,235
<hr/>	
Total operating revenues	\$ 3,227,172

December 31, 2017

Receivables - Participants

Fort Collins/Loveland Water District	\$ 249,378
East Larimer County Water District	63,607
North Weld County Water District	1,705,959
<hr/>	
Total Receivables - Participants	\$ 2,018,944

12. TABOR Compliance

In November 1992, Colorado voters passed an amendment ("TABOR" or the "Amendment") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the Authority under specified voting requirements by the entire electorate.

As a water enterprise activity the Authority believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

13. Subsequent Events

The Authority evaluated subsequent events through April 12, 2018, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

Required Supplementary Information

Soldier Canyon Water Treatment Authority
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last Ten Years

	2017
Authority's proportion of the net pension liability	0.22465%
Authority's proportionate share of the net pension liability	\$ 3,033,489
Authority's covered-employee payroll	\$ 1,306,741
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	232.14%
Plan fiduciary net position as a percentage of the total pension	73.60%

* The amounts presented for each fiscal year were determined as of 12/31 of the prior year.

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

See accompanying Independent Auditor's Report.

Soldier Canyon Water Treatment Authority
Schedule of Authority Contributions
Last Ten Years

	2017
Statutorily Required Contribution	\$ 168,641
Contributions in Relation to the Statutorily Required Contribution	168,641
Contribution Deficiency (Excess)	\$ -
Covered employee payroll	\$ 1,329,979
Contributions as a Percentage of Covered Employee Payroll	12.68%

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

See accompanying Independent Auditor's Report.

Supplementary Information

Soldier Canyon Water Treatment Authority
Schedule of Revenues and Expenses - Budget and Actual (Budgetary Basis)
For the Period from February 1, 2017 (Inception) to December 31, 2017

	Budgeted Amounts <u>Original/Final</u>	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Revenues and contributions:			
Operating revenues:			
North Weld County Water District	\$ 1,240,346	\$ 1,318,235	\$ 77,889
Fort Collins/Loveland Water District	1,250,482	1,333,775	83,293
East Larimer County Water District	840,472	575,162	(265,310)
Total operating revenues	3,331,300	3,227,172	(104,128)
Non-operating revenue:			
Contributions from participants	5,228,524	27,978,142	22,749,618
Total revenues and contributions	8,559,824	31,205,314	22,645,490
Expenditures:			
Operating and maintenance:			
Personnel	1,395,941	1,453,698	(57,757)
Employee benefits	430,157	764,451	(334,294)
Unemployment taxes	5,042	4,593	449
Payroll taxes	20,708	20,875	(167)
Source of supply	22,966	-	22,966
Chemicals	826,375	748,232	78,143
Supplies	70,674	82,239	(11,565)
Repairs	131,084	71,970	59,114
Telephone	15,583	14,915	668
Utilities - gas and electric	97,918	84,405	13,513
Water resources	-	105,349	(105,349)
Watershed expenses	73,333	14,885	58,448
Total operating and maintenance	3,089,781	3,365,612	(275,831)
Administration:			
Insurance	64,167	66,985	(2,818)
Office supplies	15,583	16,115	(532)
Outside services	140,707	121,038	19,669
Publications	5,041	983	4,058
Directors' expenses	16,021	20,953	(4,932)
Total administration	241,519	226,074	15,445

Soldier Canyon Water Treatment Authority
Schedules of Revenues and Expenses - Budget and Actual (Budgetary Basis)
Year Ended December 31, 2017

	<u>Budgeted Amounts Original/Final</u>	<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenses (continued):			
Other:			
Capital asset acquisitions	5,228,524	1,207,785	4,020,739
Total other	5,228,524	1,207,785	4,020,739
Total expenditures	8,559,824	4,799,471	3,760,353
Excess (deficiency) of revenues over expenditures	\$ -	26,405,843	\$ 26,405,843
Reconciling items			
Capital asset acquisitions		1,207,785	
Depreciation		(627,141)	
Change in net position		26,986,487	
Net position at beginning of year		504,322	
Net position at end of year		\$ 27,490,809	

See accompanying Independent Auditor's Report.