

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

Gilpin County, Colorado

Financial Statements

For the Years of December 31, 2018 and 2017

(With Independent Auditor's Report Thereon)

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

TABLE OF CONTENTS

December 31, 2018

INDEPENDENT AUDITOR’S REPORT	i-iii
MANAGEMENT’S DISCUSSION AND ANALYSIS	1-6
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position – Proprietary Funds – Enterprise	7-8
Statement of Revenue, Expenses, and Changes in Fund Net Position - Proprietary Funds – Enterprise	9
Statements of Cash Flows – Proprietary Funds – Enterprise	10-11
Notes to the Financial Statements	12-50
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of the District’s Proportional Share of Net Pension Liability	51
Schedule of District Contributions	52
Schedule of Proportionate Share of OPEB Liability	53
Schedule of District OPEB Contributions	54
SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – (Non-GAAP Basis) with Reconciliation To GAAP Basis	55-58
Schedule of Ten Years Property Tax	59

Jack Salewski, CPA

6503 S. Owens Ct, Littleton, CO 80127

(303) 359-6242 • FAX (303) 973-2967

jsalewski@salewskicpa.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Black Hawk – Central City Sanitation District
Black Hawk, Colorado

Report on the Financial Statements

I have audited the accompanying financial statements of the business type activities of Black Hawk – Central City Sanitation District (the District) of Gilpin County, Colorado as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management 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 controls 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

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

An audit involves performing procedures to obtain 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 District'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 District's internal control. Accordingly, I express no such

opinion. An audit also includes evaluating the appropriate accounting policies used and the reasonableness of significant accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the Black Hawk – Central City Sanitation District of Gilpin County, Colorado as of December 31, 2018 and 2017 and the respective changes in financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 1, the District adopted the Standard of the Governmental Accounting Standards Board (GASB) No. 75 *Accounting and Financial Reporting of Post Employment Benefits Other than Pensions* for the year ended December 31, 2018. My opinion is not modified with respect to this matter.

Comparative Financial Information:

The comparative financial information for the prior year has been presented in the accompanying financial statements in order to provide an analysis of changes in the District's financial position and operations. However, complete comparative financial information has not been presented in accordance with generally accepted accounting principles since its inclusion would make the financial statements cumbersome and difficult to read. The comparative financial information for the year ended December 31, 2017, by which a report dated June 14, 2018, expressed an unmodified opinion.

Required Supplementary Information:

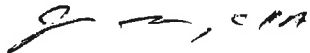
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6, the schedule of the District's proportionate share of the net pension liability and schedule of District's contributors schedule of net OPEB liability and the schedule of the District's contributions on pages 53-54 respectively, be presented to supplement the basic financial statements. Such information, although not 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 historic context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information:

My audits were conducted for the purpose of forming opinions on the financial statements and related notes to financial statements that collectively comprise the Black Hawk – Central City Sanitation District's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The budgetary comparison schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 my opinion, the budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.



Jack Salewski, CPA

Littleton, Colorado
June 16, 2019

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2018

This Management’s Discussion and Analysis (“MD&A”) is designed to provide a narrative overview of the financial condition and operating results of the Black Hawk- Central City Sanitation District (“The District”). This MD&A should be read in conjunction with the District’s basic financial statements, notes to the financial statements, and supplementary information (beginning on page 1).

The District treats waste water to customers primarily in Gilpin County, Colorado.

Overview of The Financial Statements

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado, governed by Colorado revised Statues Title 32 Special Districts, engaged only in a business type activity. As an enterprise fund, the District’s financial statements include:

Statements of Net Position- report the District’s current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating. (See page 7).

Statements of Revenues, Expenses and Changes in Fund Net Position- report the District’s operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions. (See page 9).

Statements of Cash Flows- report the District’s cash flows from operating, investing, capital and non-capital activities. (See page 10).

Notes to the Financial Statements (See page 12) provide additional required disclosures that are essential to a full understanding of the data provided in the financial statements.

Schedule of Revenues and Expenditures- Budget and Actual (Budgetary Basis) (See page 42) reports the budgeted revenue and expenditure activities as compared with actual activities. Though this schedule is not required by GAAP to be part of the audited financial statements, it is added for review as other supplementary information.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2018

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018

- Total Net Capital assets, after Accumulated Depreciation Expense decreased by \$1,001,928.
- Total Net Position increased by \$290,139.
- Depreciation Expense was in the amount of \$1,154,599.
- Total Liabilities decreased by \$232,344.
- Operating Revenues decreased by \$8,301.

The purpose of this section is to provide non-technical information, so that the average District “citizen” can understand the financial condition of the District. This understanding can then be utilized when evaluating rate increases and the effectiveness and efficiency of the District’s operations.

Who We Are

Black Hawk – Central City Sanitation District is a “Quasi-Private Public Entity” formed under Colorado Special District’s Laws. This means that we are a public body which is overseen by an elected Board of Directors, similar to a City and City Council. Unlike a City however, we operate as a non-profit business commonly referred to as an “enterprise fund”. All of the people living within or owning property within our boundaries are eligible to vote on who is to sit on the Board of Directors. Only people who live or own property within the District’s boundaries are eligible to be elected to sit on the Board of Directors. The Board’s primary responsibilities are to protect the public’s health and its capital investment in treatment and collection systems, while meeting environmental protection laws. The District provides collection system and waste water treatment services. The waste water system services about 500 residences and 52 businesses (mostly casinos) within a 20 square mile service area. The District recovers cost of service through user fees.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2018

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Statement of Net Position (page 7) include information on the District’s assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations of District creditors (liabilities). The Statement of Revenues, Expenses and Changes in Fund Net Position (page 9) identifies the District’s revenues and expenses for the fiscal year ended December 31, 2018. The third financial statement is the Statement of Cash Flows (page 10). This statement provides information on the District’s cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance for the past fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT

When evaluating the financial condition of an entity, the first thing to look at is the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Total Assets. For 2018, the District’s current assets (cash and equivalent) show an increase. Current Assets, which is considered to be an asset that consists of cash and other resources and is reasonably expected to be realized in cash or consumed within one year, increased by \$1,144,182. Total Assets, which is defined as the total resources owned by the District, increased by \$130,254. A large majority of total assets of the District resides within our system of pipelines, and the Wastewater Treatment Plant. In order to maintain an acceptable accounting standard of reporting, the District annually makes an adjustment of “Accumulated Depreciation” for these types of assets. In 2018, the District had \$1,154,599 in accumulated depreciation adjustments. As a rule of thumb, if Current Assets and Total Assets are increasing, everything is probably fine. If Current or Total Liabilities begin to increase more than the Current or Total Assets accounts are, then further assessment is warranted.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2018

REVENUES

District operations are funded from revenues received from the various fees charged for services, interest income, and capital recovery through connection fees.

Condensed Comparative Statement of Revenues

<u>Revenue Source</u>	<u>2018</u>	<u>2017</u>	<u>Change Gain / Loss</u>
Residential and Commercial			
Customers	\$ 121,324	\$ 123,475	\$ (2,151)
Gaming Customers	2,480,947	2,487,343	(6,396)
Capital Recovery	5,865	3,879,615	(3,873,750)
Interest Income	213,712	118,301	95,411
Other Revenue	47,501	46,196	1,305
Total Revenues	<u>\$2,869,349</u>	<u>\$6,654,930</u>	<u>\$(3,785,581)</u>

Revenue for services decreased by \$8,547.

EXPENSES

Condensed Comparative Statement of Expenses

	<u>2018</u>	<u>2017</u>	<u>Change Gain / Loss</u>
Waste Transmission	\$ 457,936	\$ 392,784	\$ 65,152
Treatment Plant	1,757,391	1,938,950	(181,559)
District Administration	345,726	296,480	49,246
Total Expenses	<u>\$2,561,053</u>	<u>\$2,628,214</u>	<u>\$ (67,161)</u>

CAPITAL ASSETS

As of December 31, 2018, the District had capital assets of \$33,504,648. The District received \$5,865 in System Development Fees during Budget Year 2018.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2018

Condensed Comparative Statement of Net Position

	2018	2017	Change Gain / Loss
Cash and Other Assets	\$13,948,377	\$12,816,195	\$ 1,132,182
Capital Assets	33,504,648	34,506,576	(1,001,928)
Total Assets	<u>\$47,453,025</u>	<u>\$47,322,771</u>	<u>\$ 130,254</u>
Deferred Outflow of Resources	<u>\$ 50,989</u>	<u>\$ 68,936</u>	<u>\$ (17,947)</u>
Non-Current Liabilities	\$ 222,136	\$ 248,670	\$ (26,534)
Current Liabilities	145,607	351,417	(205,810)
Total Liabilities	<u>\$ 367,743</u>	<u>\$ 600,087</u>	<u>\$ (232,344)</u>
Deferred Inflow of Resources	<u>\$ 106,510</u>	<u>\$ 51,998</u>	<u>\$ 54,512</u>
<u>Net Position</u>			
Invested in Capital Assets Net of Related Debt	\$33,504,648	\$34,506,576	\$ (1,001,928)
Restricted	60,036	57,375	2,661
Unrestricted	<u>13,465,077</u>	<u>12,175,671</u>	<u>1,289,406</u>
Total Net Position	<u>\$47,029,761</u>	<u>\$46,739,622</u>	<u>\$ 290,139</u>

Capital Assets represent the longest portion of The District’s Assets (70.61%) and decreased by a net of \$1,001,928. Depreciation expense was \$1,154,599. Unrestricted net position is the portion of net position that can be used to finance day to day operations without external constraints of debt covenants, legislation on other legal requirements. As of December 31, 2018, unrestricted net position was \$1,289,406 more than December 31, 2017.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2018

Condensed Schedule of Revenues-Expenses Budget and Actual

	Budget Original 2018	Actual 2018
Revenues	\$6,456,362	\$2,859,349
Expenses	\$3,932,500	\$1,560,386

REQUEST FOR INFORMATION

This financial report is designed to provide rate payers and creditors with a general overview of the District’s finances and demonstrate the District’s accountability for the monies it receives. If you have any questions about this report or need additional information, please contact:

The Administrator, PO Box 362, Black Hawk, CO 80422.

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

**FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

BASIC FINANCIAL STATEMENTS

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS – ENTERPRISE
 December 31, 2018 and 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Wastewater System Fund	
	2018	2017
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 11,888,178	\$ 10,753,912
Investments	1,424,218	1,414,183
Receivables:		
Customers (Note 2)	16,243	18,362
Others	605	264
Property Taxes Receivable – see Deferred Revenue Contra (Note 2)	45,711	45,193
Prepaid Expense	81,422	80,281
Total Current Assets	<u>13,456,377</u>	<u>12,312,195</u>
Non-Current Assets:		
Prepaid Expense Non-Current Assets (Note 2)	492,000	504,000
	<u>492,000</u>	<u>504,000</u>
Capital Assets: (Note 4)		
Non-Depreciable	2,040,870	2,500,253
Depreciable	46,388,295	45,805,101
Less Accumulated Depreciation	<u>(14,924,517)</u>	<u>(13,798,778)</u>
Total Capital Assets Net	33,504,648	34,506,576
Total Non-Current Assets	<u>33,996,648</u>	<u>35,010,576</u>
Total Assets	<u>47,453,025</u>	<u>47,322,771</u>
Deferred Outflows Of Resources		
Deferred Outflow of Resources Related to Pensions	49,694	68,936
Deferred Outflow of Resources Related to OPEB	<u>1,295</u>	<u>-0-</u>
Total Deferred Outflow of Resources	<u>50,989</u>	<u>68,936</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS – ENTERPRISE
 December 31, 2018 and 2017

	Wastewater System Fund	
	2018	2017
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 103,740	\$ 306,549
Compensated Absences	41,867	44,868
Total Current Liabilities	<u>145,607</u>	<u>351,417</u>
Non-Current Liabilities:		
Net Pension Liability	203,664	248,670
Net OPEB Liability	18,472	-0-
Total Non-Current Liabilities	<u>222,136</u>	<u>248,670</u>
Total Liabilities	<u>367,743</u>	<u>600,087</u>
Deferred Inflow of Resources:		
Deferred Property Tax Revenue	45,711	45,193
Deferred Inflow of Resources Related to Pensions	60,054	6,805
Deferred Inflow of Resources Related to OPEB	745	-0-
Total Deferred Inflows of Resources	<u>106,510</u>	<u>51,998</u>
Net Position:		
Invested in Capital Assets, net of Related Debt	33,504,648	34,506,576
Restricted for Emergency Reserve	60,036	57,375
Unrestricted	<u>13,465,077</u>	<u>12,175,671</u>
Total Net Position	<u>\$47,029,761</u>	<u>\$46,739,622</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS – ENTERPRISE
For the Years December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Sewer User Fees	\$ 2,602,271	\$ 2,609,947
Other	246	871
Total Operating Revenue	<u>2,602,517</u>	<u>2,610,818</u>
Operating Expenses:		
Sources of Supply, Dumping, Treatment and Distribution	1,060,728	1,153,032
General Administrative	345,726	349,129
Depreciation	1,154,599	1,126,053
Total Operating Expenses	<u>2,561,053</u>	<u>2,628,214</u>
Operating Income	<u>41,464</u>	<u>(17,396)</u>
Non-Operating Revenues (Expenses):		
Property Tax Current	45,175	44,193
Delinquent	(271)	(226)
Interest and Penalties on Tax	46	26
Specific Ownership	3,249	3,085
Interest Income	213,712	118,301
Treasurer Fees	(944)	(882)
Gain (Loss) on Disposal	(420)	-0-
	<u>260,547</u>	<u>164,497</u>
Net Income before Capital Contribution	<u>302,011</u>	<u>147,101</u>
Capital Contributions:		
Tap Fees	5,865	3,879,615
Total Capital Contribution	<u>5,865</u>	<u>3,879,615</u>
Change in Net Position	307,876	4,026,716
Net Position - Beginning of Year	<u>46,721,885</u>	<u>42,712,906</u>
Net Position - End of Year	<u>\$47,029,761</u>	<u>\$46,739,622</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS – ENTERPRISE
 For the Year December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 2,604,636	\$ 2,611,939
Payments to Employees	(124,408)	(122,889)
Payment to Suppliers for Goods and Services	(1,260,661)	(1,313,960)
Net Cash Provided by Operating Activities	<u>1,219,567</u>	<u>1,175,090</u>
Cash Flows from Capital and Related Financial Activities:		
Contributed Capital – Tap Fees	5,865	3,879,615
Acquisition of Capital Assets	(341,757)	(2,017,960)
Net Cash Used for Capital and Related Financial Activities	<u>(335,892)</u>	<u>1,861,655</u>
Cash Flows from Noncapital and Related Financing Activities:		
Net Property Tax Revenues	46,914	46,114
Net Cash Provided from Noncapital and Related Financing Activities	<u>46,914</u>	<u>46,114</u>
Cash Flows from Investing Activities:		
Interest Received	213,712	118,301
Net Investment Activity	(10,035)	(10,127)
Net Cash Flows From Investing Activities	<u>203,677</u>	<u>108,174</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,134,266	3,191,033
Cash and Cash Equivalents at Beginning of Year	<u>10,753,912</u>	<u>7,562,879</u>
Cash and Cash Equivalents at End of Year	<u>\$11,888,178</u>	<u>\$10,753,912</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS – ENTERPRISE
 For the Years December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Income	\$ 41,464	\$ (17,396)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,154,599	1,126,053
Rent	12,000	17,303
Net Change in Deferred Outflows and Inflows Related to Pensions and OPEB	71,941	26,630
Changes in Assets and Liabilities:		
Accounts Receivable	1,778	1,039
Prepaid Expense	(1,141)	(379)
Accounts Payable	(58,073)	17,693
Compensated Absences	(3,001)	4,147
Net Cash Provided by Operating Activities	<u>\$1,219,567</u>	<u>\$1,175,090</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1: ORGANIZATION AND REPORTING ENTITY

Organization

The Black Hawk – Central City Sanitation District (the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Gilpin County, Colorado. The District was established to provide sewer services to the District residents. The District is governed by an elected five member Board of Directors.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District adopted GASB statement No. 68 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75) for the year ended December 31, 2018. Adoption of this statement revised and established new reporting requirements for pension benefits provided by the District to its employees (See Note 6). Following is a summary of the more significant policies.

Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental 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 governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1: ORGANIZATION AND REPORTING ENTITY (continued)

2. Fiscal dependency on the primary government and there is potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an “other stand alone government”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The District uses a fund to report on its financial position and the results of its operations. Fund Accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing sewer collection, transmission and treatment services to District residents. The enterprise fund uses the economic resources measurement focus and the accrual basis of accounting for reporting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The fund distinguishes operating revenues and expenses from non-operating revenues and expenses, and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund’s principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the Board) in accordance with 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.

The budget process timeline is as follows:

1. No later than October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financial them.
2. Public hearings are conducted at regular Board meetings to obtain customers comments.
3. Prior to December 31, the budget is legally enacted through passage of a resolution.
4. The budget is legally adopted by the District. The budget is adopted on a non-GAAP budgetary basis. Capital outlay and long-term debt principal payments are budgeted as expenditures and depreciation are not budgeted. Deferred revenues are reported as revenue for budgetary presentation.
5. Unused appropriations lapse at the end of each year. Colorado governments may not exceed budgeted appropriations at the fund level.

The total appropriated expenditures for the District were \$3,932,500

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less which are available for operating expenditures to be cash equivalents.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The District's investments in marketable debt and equity securities are carried at amortized cost. There are no limitations on withdrawals. Amounts invested in certificates of deposit, with original maturities of greater than three months, are carried at fair value, including accrued interest.

Allowance for Doubtful Accounts

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2018 or 2017, based on historical collection experience.

Revenue Recognition

Revenues are recognized when waste water services are provided.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing waste water treatment for its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Prepaid Expenses

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital Assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed when incurred. All infrastructure assets owned by the District, which include sewer collections and transmission systems, have been capitalized.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Depreciation	<u>Estimated Lives</u>
Transmission and Distribution System	20-40 years
Facilities	20-40 years
Equipment	3-20 years
Furniture and Equipment	3-20 years

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 classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense / expenditures) until then. The District has items related to pensions and Other Postemployment Benefits (OPEM) that are reported as deferred outflows of resources at December 31, 2018.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has an item related to pensions and OPEB that is reported as deferred inflows of resources at December 31, 2018.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position results from the accumulation of net earnings from operating income, non-operating revenues and expenses, and capital contributions and are classified in the financial statements as follows:

- Net Investment in Capital Assets– The net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the long-term debt issued to acquire, construct, or improve the related capital assets. The long-term debt attributable to the unspent long-term debt proceeds at the end of the year is excluded from the calculation. Instead it is included in the same net position component as the unspent proceeds.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted– This classification includes the residual net position that does not meet the classification of “net investment in capital assets” or “restricted”.

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

Pensions

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the disclosures in Note 6 do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and the District*.

OPEB

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

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2018 through June 16, 2019, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

Compensated Absences

Obligations associated with the District's vacation policy are recorded as a liability and expensed when earned to the extent that such benefits vest to the employee. Management has determined that the amount of the accrued and unpaid balance due under this policy is due within one year. A current liability is reported in the financial statements for the accrued compensated absences.

The District has recorded a liability of \$41,867 and \$44,868 at December 31, 2018 and 2017 respectively.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure 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, and such differences could be material.

Concentration of Customer Risk

The District receives approximately 52% of its sewer service revenues from three customers. The loss of this revenue, if it were to occur, could significantly affect the District's operations. District management does not expect the relationship with the three customers to change in the near future.

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2018 follows:

Cash and Cash Equivalents	\$11,888,178
Investments	<u>1,424,218</u>
Total	<u>\$13,312,396</u>

Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limited, Colorado Revised Statutes 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 with public deposits in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) 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.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

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, 2018 and 2017, the District had deposits with a financial institution with a carrying amount of \$1,488,411 and \$525,176, respectively. The bank balances with the financial institution were \$1,579,234 and \$557,779 respectively, which of this amount \$250,000 was covered by federal depository insurance, with the excess in 2018 of \$1,238,411 collateralized with securities held by the financial institutions agents but not in their name..

Investments

The Board of Directors had adopted an investment policy, which specifies investment instruments meeting defined rating, and risk criteria in which the District may invest, which include:

- Direct obligations of the United States with a maximum maturity of five years.
- Obligations of U.S. Government Agencies with a maximum maturity of five years.
- Securities of entities or organizations not listed above, but created by, or authorized to be created by legislation of the U.S. Congress where the issuing agency is subject to control by the federal government.
- General obligations of any state of the United States, the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental agencies. These securities must be rated in the highest two rating category by two or more nationally recognized rating agencies. The period from the settlement date to its maturity shall be no longer than three years.
- The District's own securities including certificates of participation and lease obligations.
- Local government investment pools.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

- Repurchase agreements for any of the U.S. Government and agency securities listed above.
- Reverse repurchase agreements for any of the U.S. Government and agency securities listed above.
- Securities lending agreement, subject to certain statutory conditions including that necessary transfer documents must be transferred to the investing public entity.
- Certain money market funds subject to statutory conditions including registration of the fund under the federal “investment Company Act of 1940”, that the fund seeks to maintain a constant share price.
- Certain guaranteed investment contracts rated in one of the two highest rating categories by two or more nationally recognized securities rating agencies that regularly issue such ratings.
- U.S. dollar denominated corporate or bank security, issued by a corporation or bank organized and operating within the United States; the debt matures within three years; the debt must carry at least two ratings not below “AA- or Aa3” from any nationally recognized rating agencies.

District policy is to hold investments until maturity.

Interest Rate Risk

The District has adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, which is consistent with state statutes. Colorado revised Statutes limit investment maturities to five years or less from the date of purchase.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

Local Government Investment Pools

At December 31, 2018 and 2017, the District had invested \$10,399,776 and \$10,228,736, respectively, in Colorado Surplus Asset Trust Fund (CSAFE), a local government investment pool. As an investment pool, CSAFE operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. CSAFE is exempt from registration with the Securities and Exchange Commission. CSAFE rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities and the highest rated commercial paper. The value of this investment is stated at amortized cost. There are no limitations on withdrawals. Separate financial statements can be obtained by going to www.CSAFE.com.

Cash deposits and investments held by the District were as follows at December 31:

	<u>2017</u>	<u>2017</u>
Bank Deposits	\$ 1,488,402	\$ 525,176
Local Government Investment Pool	10,399,776	10,228,736
Total Cash and Cash Equivalents	<u>\$ 11,888,178</u>	<u>\$ 10,753,912</u>

Investments held by the District at December 31, 2018, were as follows:

	<u>S & P Rating</u>	<u>Moody Rating</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Years to Maturity</u>
Certificate of Deposit	AA+	Aaa	<u>\$1,424,218</u>	<u>\$1,424,218</u>	1.5
Total			<u>\$1,424,218</u>	<u>\$1,424,218</u>	

Fair Value of Investments

The District categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date net of amortized cost. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs for an asset or liability.

The District has the following fair value measurements as of December 31, 2018:

Investments by Fair Value Level:	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Certificate of Deposits	\$ 1,424,218	\$1,424,218	\$ -0-	\$ -0-
CSAFE	10,399,776	-0-	10,399,776	-0-
Total Investments by Fair Value	\$11,823,994	\$1,424,218	\$10,399,776	\$ -0-

The District has the following fair value measurements as of December 31, 2017:

Investments by Fair Value Level:	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Certificate of Deposits	\$ 1,414,183	\$ 1,414,183	\$ -0-	\$ -0-
CSAFE	10,228,736	-0-	10,228,736	-0-
Total Investments by Fair Value	\$11,642,919	\$ 1,414,183	\$10,228,736	\$ -0-

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4: CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land rights	\$ 2,040,870	\$ -0-	\$ -0-	\$ 2,040,870
Construction in progress	534,964	-0-	534,964	-0-
Total capital assets not being depreciated	<u>2,575,834</u>	<u>-0-</u>	<u>534,964</u>	<u>2,040,870</u>
Capital assets being depreciated:				
Buildings and improvements	27,676,238	-0-	-0-	27,676,238
Improvements other than buildings	17,447,168	657,812	-0-	18,104,980
Machinery and equipment	606,114	30,244	29,281	607,077
Total capital assets being depreciated	<u>45,729,520</u>	<u>688,056</u>	<u>29,281</u>	<u>46,388,295</u>
Less accumulated depreciation:				
Buildings and improvements	(7,788,889)	(695,021)	-0-	(8,483,910)
Improvements other than buildings	(5,659,927)	(405,032)	-0-	(6,064,959)
Machinery and equipment	(349,962)	(54,547)	28,861	(375,648)
Total accumulated depreciation	<u>(13,798,778)</u>	<u>(1,154,600)</u>	<u>28,861</u>	<u>(14,924,517)</u>
Total capital assets being depreciated, net	<u>31,930,742</u>	<u>(466,544)</u>	<u>420</u>	<u>31,463,778</u>
Total capital assets, net	<u>\$34,506,576</u>	<u>\$(466,544)</u>	<u>\$535,384</u>	<u>\$33,504,648</u>

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 4: CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and land rights	\$ 2,040,870	\$ -0-	\$ -0-	\$ 2,040,870
Construction in progress	<u>608,415</u>	<u>534,964</u>	<u>608,415</u>	<u>534,964</u>
Total capital assets not being depreciated	<u>2,649,285</u>	<u>534,964</u>	<u>618,415</u>	<u>2,575,834</u>
Capital assets being depreciated:				
Buildings and improvements	27,676,238	-0-	-0-	27,676,238
Improvements other than buildings	15,577,111	1,870,057	-0-	17,447,168
Machinery and equipment	<u>594,573</u>	<u>11,541</u>	<u>-0-</u>	<u>606,114</u>
Total capital assets being depreciated	<u>43,847,922</u>	<u>1,881,598</u>	<u>-0-</u>	<u>45,729,520</u>
Less accumulated depreciation:				
Buildings and improvements	(7,095,364)	(693,525)	-0-	(7,788,889)
Improvements other than buildings	(5,278,262)	(381,665)	-0-	(5,659,927)
Machinery and equipment	<u>(299,099)</u>	<u>(50,863)</u>	<u>-0-</u>	<u>(349,962)</u>
Total accumulated depreciation	<u>(12,672,725)</u>	<u>(1,126,053)</u>	<u>-0-</u>	<u>(13,798,778)</u>
Total capital assets being depreciated, net	<u>31,175,197</u>	<u>755,545</u>	<u>-0-</u>	<u>31,930,742</u>
Total capital assets, net	<u>\$33,824,482</u>	<u>\$1,290,509</u>	<u>\$608,415</u>	<u>\$34,506,576</u>

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS

Multiple-Employer Defined Benefit Pension Plan

Plan Description

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

Benefits Provided as of December 31, 2017

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and / or purchased, highest average salary, the benefit structure(s) 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 the highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (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 contribution were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year.

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (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.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Contributions

Eligible employers and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. 24-51-401, *et. Seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. Employer contribution requirements are summarized in table below:

Employer Contribution Rate	(1) 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 SCHDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-1411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-1411	1.50%
Total Employer Contribution Rate to the SCHDTF	12.68%

(1) Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$15,017 for the year ended December 31, 2017.

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

At December 31, 2018, the District reported a liability of \$203,664 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability 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, 2017. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (Continued)

As of December 31, 2017, the District’s proportion was .018292%, which was a decrease of .000123% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized pension expense of \$25,225. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual Experience	\$ 12,741	\$ -0-
Changes in assumptions or other inputs	2,155	-0-
Net difference between projected and actual earnings on pension plan investments	19,781	58,716
Changes in proportion and difference between contributions recognized and proportionate share of contributions	-0-	1,338
Contributions subsequent to the measurement date	15,017	-0-
Total	<u>\$ 49,694</u>	<u>\$ 60,054</u>

The \$15,017 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an 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 pensions will be recognized in pension expense as follows:

<u>For the Fiscal Year Ended</u>	
December 31, 2019	\$ (3,637)
December 31, 2020	(10,765)
December 31, 2021	(10,975)

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (Continued)

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	2.40 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
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	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
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (Continued)

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% factor applied to male rates and a 55% 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% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% 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% of the RP-2014 Disabled Retiree Mortality Table.

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

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return net of investment expense and inflation) were developed 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 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%

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Discount Rate

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, 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.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (Continued)

- 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 actuarial cost method and assumptions, the LDGTF'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% 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%.

Sensitivity of the Districts Proportionate Share of the Net Pension Liability to Change in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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%) or 1 percentage point higher (8.25%) than the current rate:

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (Continued)

<u>Discount Rate:</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	\$ 324,370	\$ 203,664	\$ 103,037

Pension Plan Fiduciary Net Position

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

Changes Between the Measurement Date of the Net Pension Liability and December 31, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees’ Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

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

- Increase employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (Continued)

- Member contributions, employer contributions, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020 and then each year thereafter to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019 in the local Government Division. Beginning January 1, 2021 and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2018 the District reported a liability of \$203,664 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200 applicable to the LGDTF become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience, and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$144,055

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Defined Contribution Pension Plan

Plan Description

Employees of the District who are members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), 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. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The voluntary investment program is funded by voluntary contributions of up to a maximum limit set by the IRS as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District contributed \$500 to the 401(k) plan. For the years ended December 31, 2018 and 2017, the 401(k) Plan member contributions were \$11,803 and \$12,446 respectively.

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description

Eligible employees of the District are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit 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 disbursement necessary in order to carry out the purposes of the PERACare program, including the administration of premiums subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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 one or more of the four Divisions (State, School, Local Government, and Judicial), the premium subsidy is allocated to the District. 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 are eligible for a premium subsidy if enrolled in a health care plan under PERACare.

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.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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 pays an alternative service based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the district were \$1,177 for the year ended December 31, 2017.

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

At December 31, 2018, the District reported a liability of \$18,472 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.001421342%, which was a decrease of 0.0000527% from its proportion measured as of December 31, 2016.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

For the year ended December 31, 2018, the District recognized OPEB expense of \$463. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 87	\$ -0-
Net difference between projected and actual earnings on pension plan investments	-0-	309
Changes in proportion and differences between contributions recognized an proportionate share of contributions	-0-	436
Contributions subsequent to the measurement date	1,208	-0-
Total	\$1,295	\$ 745

\$1,208 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction fo the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	
2019	\$(191)
2020	\$(191)
2021	\$(191)
2022	\$(85)

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment Rate of Return, net of 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	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

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

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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

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

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(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 District and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees who qualify for the “No Part A Subsidy” but have not reached age 65 were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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

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

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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 District’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$17,964	\$18,472	\$19,084

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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 Districts Proportionate Share of the Net OPEB Liability to Change in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, 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%) or 1 percentage point higher (8.25%) than the current rate:

<u>Discount Rate:</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net OPEB liability	<u>\$ 20,768</u>	<u>\$ 18,472</u>	<u>\$ 16,512</u>

OPEB Plan Fiduciary Net Position

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

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; natural disasters; or environmental liabilities due to the nature of its operations. The District maintains commercial insurance for all risks of loss through the private insurance. Settled claims have not exceeded the District’s insurance coverage in any of the past three years.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 7: RISK MANAGEMENT (Continued)

In addition, the District has completed a vulnerability assessment and updated the emergency response plan, as required by the Environmental Protection Agency of the United States Government.

NOTE 8: TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains, tax, spending, and revenue and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's "fiscal year spending" adjusted for allowable increases based upon inflation and local growth. "Fiscal year spending" is generally defined as expenditures plus reserve increase with certain exceptions. Revenue in excess of the "fiscal year spending" limit must be refunded unless the voters approve retention of such revenue.

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.

Tabor requires local governments to establish Emergency Reserves. These reserves must be at least 3% of "fiscal year spending" (excluding bonded debt service). Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved a portion of its December 31, 2018 year-end net position for emergencies as required under TABOR of \$60,036 and \$57,375 which is the approximate required reserve as of December 31, 2018 and 2017.

The District's management believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 9: SUBSEQUENT EVENTS

Management of the District has evaluation subsequent events through June 16, 2019, the date the financial statements were available to be issued. There were no material subsequent events that require recognition.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 10: CHANGE IN ACCOUNTING PRINCIPLE

The District participates in the cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by PERA (Note 6). As discussed in Note 1, the District adopted Statement No. 75 for the year ended December 31, 2018. Statement No. 75 requires the District to record their proportionate share of the unfunded net OPEB liability of the OPEB plan. The District has no legal obligation to fund this shortfall nor does it have any ability to influence the funding, benefits, or annual required contribution made by PERA. The District has restated beginning net position of the financial statements by decreasing the amount as of January 1, 2018 by \$17,737. The prior year comparative amounts have not been restated.

Beginning Net Position, as previously reported at January 1, 2018	\$46,739,622
GASB Statement No. 68 Implementation:	
Deferred outflows of Resources – District Contributions made January 1, 2017 through December 31, 2017	1,177
Net OPEB Liability at December 31, 2016 (measurement date)	<u>(18,914)</u>
Net Position, January 1, 2018, as Restated	<u>\$46,721,885</u>

REQUIRED SUPPLEMENTARY INFORMATION

BLACK HAWK - CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PERA LOCAL GOVERNMENT DIVISION TRUST FUND PENSION PLAN
 LAST 10 FISCAL YEARS

	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.18291562%	0.0184153318%	0.0191844614%	0.0196440342%	0.0203598434%
District's proportional share of the net pension liability	\$ 203,664	\$ 248,670	\$ 211,332	\$ 176,071	\$ 167,545
District's covered employee payroll	118,456	122,889	116,659	114,412	113,922
Total pension liability	5,396,516,000	5,123,847,000	4,762,090,000	4,647,777,000	4,517,239,000
Plan fiduciary net position	4,283,086,000	3,773,506,000	3,660,509,000	3,751,468,000	3,322,306,000
Net pension liability	<u>\$ 1,113,430,000</u>	<u>\$ 1,350,341,000</u>	<u>\$ 1,101,581,000</u>	<u>\$ 896,309,000</u>	<u>\$ 1,194,933,000</u>
Plan fiduciary net position as a percentage of the total pension liability	79.37%	73.65%	76.87%	80.72%	73.55%

* Information for the prior 5 years was not available to report. However, until a full 10 year trend is compiled, the District will present information for only those years for which information is available

See the Accompanying independent Auditor's Report

BLACK HAWK - CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS
PERA PENSION PLAN
LAST TEN YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily Required Contribution	\$ 15,020	\$ 14,632	\$ 14,153	\$ 14,781	\$ 14,645	\$ 14,445	\$ 13,624	\$ 13,430	\$ 12,980	\$ 12,623
Contributions in Relation to the Statutorily Required Contribution	15,020	14,632	14,153	14,781	14,645	14,445	13,624	13,430	12,980	12,623
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-employee Payroll	\$ 118,456	\$ 115,391	\$ 111,620	\$ 116,569	\$ 114,412	\$ 113,922	\$ 107,445	\$ 105,916	\$ 102,365	\$ 107,157
Contribution as a Percentage of Covered-employee Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	11.78%

See the Accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OTHER POST
EMPLOYMENT BENEFIT LIABILITY
PERA HCTF OPEB PLAN
LAST TEN YEARS*

	<u>2017</u>	<u>2016</u>
Proportion of the Net OPEB Liability (Asset)	0.001421342%	0.001368%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 18,472	\$ 18,914
Covered Employee Payroll	118,456	122,889
Proportionate Share of Net OPEB Liability as a Percentage of its Covered Employee Payroll	15.59%	15.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%	16.72%
Total OPEB Liability	\$1,575,822,000	\$1,556,762,000
Plan Fiduciary Net Position	<u>276,222,000</u>	<u>260,228,000</u>
Net OPEB Liability	<u>\$1,299,600,000</u>	<u>\$1,296,534,000</u>

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

NOTE: Information for the prior 8 years was not available to report. However, until a full 10 year trend is compiled, the District will present information for only those years for which information is available.

See the Accompanying Independent Auditors' Report.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF OPEB CONTRIBUTIONS
PERA HCTF OPEB PLAN
 LAST TEN YEARS

	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$1,208	\$1,253
Contributions in Relation to the Contractually Required Contribution	1,208	1,253
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered Employee Payroll	\$118,456	\$122,889
Contributions as a Percentage of Covered Employee Payroll	1.02%	1.02%

NOTE: Information for the prior 8 years was not available to report. However, until a full 10 year trend is compiled, the District will present information for only those years for which information is available.

See the Accompanying Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF REVENUE AND EXPENSES – BUDGET AND EXPENSES
For the Year Ended December 31, 2018

	Original And Final Budget	Actual (Non-GAAP Basis)	Variance Positive (Negative)
Revenues:			
Operating:			
Sewer User Fees	\$ 2,490,595	\$ 2,602,271	\$ 111,676
Other	-0-	246	246
Non-Operating:			
Property Tax	46,142	47,255	1,113
Interest Income	54,000	213,712	159,712
Contribution in Aid of Construction	3,865,625	5,865	(3,859,760)
Total Revenues	<u>6,456,362</u>	<u>2,869,349</u>	<u>(3,587,013)</u>
Expenditures:			
Personnel Services	125,000	121,407	3,593
Contractual Services	952,500	644,634	307,866
Materials and Supplies	438,500	251,601	186,899
Other	396,500	389,652	6,848
Capital Outlay	2,020,000	153,092	1,866,908
Total Expenses	<u>3,932,500</u>	<u>1,560,386</u>	<u>2,372,114</u>
Increase in Net Position	<u>\$ 2,523,862</u>	<u>\$ 1,308,963</u>	<u>\$(1,214,899)</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

RECONCILIATION OF THE SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL

For the Year Ended December 31, 2018

Reconciliation of budgetary basis accounting to GAAP basis accounting budgetary basis
Explanation of differences between budgetary basis and GAAP basis:

Revenues:	
Actual (Non-GAAP basis) amount	\$ 2,869,349
Difference budget to GAAP:	
GAAP basis revenue	<u>2,869,349</u>
Expenses:	
Actual (Non-GAAP basis) amount	1,560,386
Difference budget to GAAP:	
Depreciation is an expense for reporting purposes but is not a use of budgetary resources	1,154,599
Gain (Loss) on disposal of capital assets	(420)
Capital outlay is an expense of budgetary resources but is not considered an expense for reporting purposes	<u>(153,092)</u>
GAAP basis expenses	<u>2,561,473</u>
GAAP basis increase in net position	307,876
Net position, beginning of year, as restated	<u>46,721,885</u>
Net position, end of year	<u>\$47,029,761</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF REVENUE AND EXPENSES – BUDGET AND EXPENSES
For the Year Ended December 31, 2017

	Original And Final Budget	Actual (Non-GAAP Basis)	Variance Positive (Negative)
Revenues:			
Operating:			
Sewer User Fees	\$ 2,605,000	\$ 2,609,997	\$ 4,997
Other	-0-	871	871
Non-Operating:			
Property Tax	45,169	46,196	1,027
Interest Income	34,000	118,301	84,301
Contribution in Aid of Construction	3,860,625	3,879,615	18,990
Total Revenues	<u>6,544,794</u>	<u>6,654,980</u>	<u>110,186</u>
Expenditures:			
Personnel Services	125,000	127,036	(2,036)
Contractual Services	865,200	667,750	197,450
Materials and Supplies	428,800	307,108	121,692
Other	393,300	400,317	(7,017)
Capital Outlay	2,020,000	1,808,147	211,853
Total Expenses	<u>3,832,300</u>	<u>3,310,358</u>	<u>521,942</u>
Increase in Net Position	<u>\$ 2,712,494</u>	<u>\$ 3,344,622</u>	<u>\$ 632,128</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

RECONCILIATION OF THE SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL

For the Year Ended December 31, 2017

Reconciliation of budgetary basis accounting to GAAP basis accounting budgetary basis
Explanation of differences between budgetary basis and GAAP basis:

Revenues:	
Actual (Non-GAAP basis) amount	\$ 6,654,980
Difference budget to GAAP:	
GAAP basis revenue	<u>6,654,980</u>
Expenses:	
Actual (Non-GAAP basis) amount	3,310,358
Difference budget to GAAP:	
Depreciation is an expense for reporting purposes but is not a use of budgetary resources	1,126,053
Capital outlay is an expense of budgetary resources but is not considered an expense for reporting purposes	<u>(1,808,147)</u>
GAAP basis expenses	<u>2,628,264</u>
GAAP basis increase in net position	4,026,716
Net position, beginning of year	<u>42,712,906</u>
Net position, end of year	<u>\$ 46,739,622</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF PROPERTY TAXES
For the Year Ended December 31, 2018

	Assessed Value	Mill Levy	Budget	Actual	Percent
2009	254,315,476	.168	44,725	43,776	97.9
2010	291,809,509	.168	49,024	47,925	97.8
2011	288,553,571	.168	48,477	48,221	99.0
2012	256,315,476	.168	43,061	42,772	99.3
2013	257,927,894	.168	44,306	42,989	97.0
2014	248,851,715	.168	41,808	41,723	99.8
2015	248,461,730	.168	41,742	41,710	99.9
2016	268,328,494	.159	42,738	42,342	99.1
2017	263,220,830	.168	44,221	44,193	99.9
2018	269,003,343	.168	45,193	45,175	100.0
2019	272,087,278	.168	45,711		

See accompanying Independent Auditor's Report