

**TRI-LAKES WASTEWATER
TREATMENT FACILITY**

BASIC FINANCIAL STATEMENTS

December 31, 2018

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JOHN CUTLER & ASSOCIATES

Joint Use Coordinating Committee
Tri-Lakes Wastewater Treatment Facility
Monument, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business activities and each major fund of the Tri-Lakes Wastewater Treatment Facility, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Facility's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business activities and each major fund of the Tri-Lakes Wastewater Treatment Facility as of and for the year ended, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the Facility's proportionate share and the schedule of the Facility's contributions on pages 36-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tri-Lakes Wastewater Treatment Facility's basic financial statements. The individual fund financial statement listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statement is fairly stated in all material respects in relation to the financial statements as a whole.

John Luttrell & Associates, LLC

June 11, 2019

BASIC FINANCIAL STATEMENTS

TRI-LAKES WASTEWATER TREATMENT FACILITY

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 December 31, 2018

ASSETS	2018	2017
Current Assets		
Cash and Cash Equivalents	\$ 100	\$ 3,589
Accounts Receivable	93,378	75,297
Prepaid Expenses	34,013	49,631
Total Current Assets	127,491	128,517
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	7,869,406	7,993,819
Total Noncurrent Assets	7,869,406	7,993,819
TOTAL ASSETS	7,996,897	8,122,336
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	151,785	179,876
Related to OPEB	6,790	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	158,575	179,876
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,155,472	\$ 8,302,212
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 42,119	\$ 15,239
Compensated Absences	117,229	108,624
Deposits From Owning Districts	59,173	59,173
Total Current Liabilities	218,521	183,036
Noncurrent Liabilities		
Pension Liability	512,612	576,125
OPEB Liability	46,486	-
Total Noncurrent Liabilities	559,098	576,125
TOTAL LIABILITIES	777,619	759,161
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	147,785	13,516
Related to OPEB	778	-
TOTAL DEFERRED INFLOWS OF RESOURCES	148,563	13,516
NET POSITION		
Invested in Capital Assets	7,869,406	7,993,819
Unrestricted	(640,116)	(464,284)
TOTAL NET POSITION	7,229,290	7,529,535
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 8,155,472	\$ 8,302,212

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

TRI-LAKES WASTEWATER TREATMENT FACILITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
OPERATING REVENUE		
Interdistrict charges for operations	\$ 1,092,374	\$ 1,103,476
TOTAL OPERATING REVENUE	<u>1,092,374</u>	<u>1,103,476</u>
OPERATING EXPENSES		
Dues, Subscriptions, Education, and Travel	15,277	2,676
Permits and Licenses	14,857	14,357
Equipment Expenses	1,307	1,169
Insurance	34,796	22,982
Repairs and Maintenance	67,429	25,579
Miscellaneous Expenses	2,086	2,365
Office Expenses	2,667	3,997
Plant Operator's Expense	449,938	419,344
Professional Fees	42,725	39,038
Engineering Consultant	-	23,269
Management and Secretarial	2,925	2,665
Small Tools	452	306
Supplies	15,261	53,176
Special Chemical Monitoring	75,205	77,961
Vehicle Expense	5,371	2,444
Utilities	145,258	136,245
Sludge Removal	132,820	173,874
Capital Improvements	-	4,033
Depreciation	257,217	255,864
TOTAL OPERATING EXPENSES	<u>1,265,591</u>	<u>1,261,344</u>
OPERATING INCOME (LOSS)	<u>(173,217)</u>	<u>(157,868)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	12,293	425
Pension Expense	(98,847)	(65,682)
OPEB Expense	(969)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(87,523)</u>	<u>(65,257)</u>
NET INCOME	(260,740)	(223,125)
NET POSITION, Beginning, restated	<u>7,490,030</u>	<u>7,752,660</u>
NET POSITION, Ending	<u>\$ 7,229,290</u>	<u>\$ 7,529,535</u>

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

TRI-LAKES WASTEWATER TREATMENT FACILITY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Owning Districts	\$ 1,074,293	\$ 1,521,293
Cash Paid for Goods and Services	<u>(957,271)</u>	<u>(1,447,951)</u>
Net Cash Provided by Operating Activities	<u>117,022</u>	<u>73,342</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	<u>(132,804)</u>	<u>(84,698)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>12,293</u>	<u>425</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,489)	(10,931)
CASH AND CASH EQUIVALENTS, Beginning	<u>3,589</u>	<u>14,520</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 100</u>	<u>\$ 3,589</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	<u>\$ (173,217)</u>	<u>\$ (157,868)</u>
Net Cash Provided by Operating Activities		
Depreciation and Amortization	257,217	255,864
Changes in Assets and Liabilities		
Accounts Receivable	(18,081)	417,817
Prepaid Expenses	15,618	(10,988)
Accounts Payable	26,880	(244,933)
Retainage Payable	-	(191,310)
Compensated Absences	8,605	4,760
Total Adjustments	<u>290,239</u>	<u>231,210</u>
Net Cash Provided by Operating Activities	<u>\$ 117,022</u>	<u>\$ 73,342</u>

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

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tri-Lakes Wastewater Treatment Facility (the “Facility”) is an entity formed by intergovernmental agreement among Palmer Lake Sanitation District, Monument Sanitation District, and Woodmoor Sanitation District No.1. The Facility is operated and accounted for as an enterprise fund and the financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Facility meets the criteria to be treated as a joint venture. The more significant of the Facility’s policies are described below.

Reporting Entity

Joint ventures are created by governments for special purposes and are responsible to the public, investors, creditors, the management that created them, and the users served by the joint venture. A joint venture is a legal entity or other contractual arrangement participated in by a government as a separate and specific activity for the benefit of the public or several recipients in which the government retains an ongoing financial interest and/or responsibility.

The financial reporting entity consists of the Facility and organizations for which the Facility is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Facility. In addition, any legally separate organizations for which the Facility is financially accountable are considered part of the reporting entity. Financial accountability exists if the Facility appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Facility.

Based on the application of these criteria, the Facility does not include additional organizations in its reporting entity. However, the Facility is a joint venture and is reported within each owning district’s financial reporting entity. Each district is financially responsible for the Facility. Financial responsibility is derived from the governmental unit’s power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Financial responsibility implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Facility uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The Facility's fund is classified as an enterprise fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds 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 nonoperating revenues and expenses.

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

The Facility reports all activity in one enterprise fund which is a proprietary fund type. This fund is considered a major fund.

Deferred Outflows/Inflows of Resources

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

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

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

Cash and Cash Equivalents – Cash and cash equivalents include amounts in deposit accounts and short-term investments with an original maturity of three months or less.

Receivables – Receivables consists of amounts owed to the Facility by the owning districts. All amounts are considered to be collectible and no allowance for bad debt has been recorded. As of December 31, 2018, the accounts receivable balance was \$93,378 which was paid by the owning districts in January 2019.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

Capital Assets – The Facility capitalizes all assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest is capitalized during the construction phase.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of Net Position in the financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method:

Plant and Buildings	50 years
Land Improvements	20 years
Infrastructure and Improvements	5 – 15 years
Vehicles and Equipment	5 - 7 years

Accrued Compensated Absences – Employees of the Facility are allowed to accumulated unused vacation and sick time. The Facility’s employees accrue vacation time ranging from 10 to 20 days per year depending on years of service. Sick leave is accrued at a rate of 8 hours per month. Upon termination, an employee will be compensated for all unused vacation time. Unused sick time will be compensated if an employee has completed ten years of service prior to termination. These compensated absences are recognized as current salary costs when earned in the proprietary fund. A liability has been recorded in the government-wide financial statements for the accrued compensated absences

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Net Position— The business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third-party limitation on their use. While the Facility's management may have categorized and segmented portion for various purposes, the Facility's Board has the unrestricted right to revisit or alter these managerial decisions.

Deposits Held for Owning Districts

Per the Cash Flow Escrow Agreement dated October 13, 1998 and amended on December 12, 2006, each owning district of the Facility was required to deliver a sum of \$10,000 and \$7,000. The Agreement provided working capital and to satisfy projected cash flow requirements. In addition to the deposits, any interest earned is transferred to the deposit account. In the event of the termination of the Agreement by the districts, the funds will be distributed to each of the owning districts. As of December 31, 2018, the deposit balance was \$59,173.

Joint Use Coordinating Committee

Each district appoints one representative and an alternate to serve on the Joint Use Coordinating Committee. The committee has, as its function and responsibility, the review of the use and operation of the Facility.

Risk Management

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Facility purchases commercial insurance for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Facility's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A budget is adopted for the enterprise fund as a management control device but is not legally required. The budgetary information presented in the financial statements was approved by each owning district.

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents reported in the December 31, 2018 financial statements consisted of the following:

Petty Cash	\$	100
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TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2018, State regulatory commissioners have indicated that all financial institutions holding deposits for the Facility are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Facility has no policy regarding custodial credit risk for deposits.

At December 31, 2018, the Facility had deposits with financial institutions with a carrying amount of \$0. The bank balances with the financial institutions were \$21,849. All of these balances were covered by federal depository insurance.

Interest Rate Risk

The Facility does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2018, the Facility has no investments.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Certain money market funds
- Guaranteed investment contracts

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

Credit Risk (Continued)

The Facility did not have any investments requiring categorization of credit risk as of December 31, 2018 and had no policy for managing credit risk.

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2018, is summarized below.

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/18</u>
Capital Assets, Being				
Depreciated				
Treatment Plant	\$ 8,078,397	\$ -	\$ -	\$ 8,078,397
Phosphorous Plant	3,692,854	-	-	3,692,854
Lab Building	477,742	-	-	477,742
Land Improvements	165,008	-	-	165,008
Landscaping	12,761	-	-	12,761
Road	6,301	-	-	6,301
Equipment	302,969	132,804	-	435,773
Vehicles	<u>55,513</u>	-	-	<u>55,513</u>
Total Capital Assets, Being Depreciated	<u>12,791,545</u>	<u>132,804</u>	<u>-</u>	<u>12,924,349</u>
Accumulated Depreciation				
Treatment Plant	4,197,976	159,320	-	4,357,296
Phosphorus Plant	80,012	73,857	-	153,869
Lab Building	113,067	9,555	-	122,622
Land Improvements	56,302	7,241	-	63,543
Landscaping	12,761	-	-	12,761
Road	6,301	-	-	6,301
Equipment	302,269	1,949	-	304,218
Vehicles	<u>29,038</u>	<u>5,295</u>	<u>-</u>	<u>34,333</u>
Total Accumulated Depreciation	<u>4,797,726</u>	<u>257,217</u>	<u>-</u>	<u>5,054,943</u>
Net Capital Assets	<u>\$ 7,993,819</u>	<u>\$ (124,413)</u>	<u>\$ -</u>	<u>\$ 7,869,406</u>

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

Summary of Significant Accounting Policies

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

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

General Information about the Pension Plan

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

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

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

General Information about the Pension Plan (Continued)

structure is the greater of the:

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

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

Contributions provisions as of December 31, 2018: Eligible employees and the Facility 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. The employer contribution requirements are summarized in the table below:

	Rates
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	(1.02)%
Amount apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total employer contribution rate to the LGDTF¹	12.68%

¹Rates 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 Facility is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Facility were \$44,358 for the year ended December 31, 2018.

by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The Facility proportion of the net pension liability was based on Facility's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2018, the Facility reported a liability of \$512,612 for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined

At December 31, 2017, the Facility's proportion was .04604%, which was an increase of .00337% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Facility recognized pension expense of \$143,205. At December 31, 2018., the Facility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$32,068	N/A
Changes of assumptions or other inputs	\$5,415	-
Net difference between projected and actual earnings on pension plan investments	\$48,146	\$147,785
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$21,798	N/A
Contributions subsequent to the measurement date	\$44,358	N/A
Total	\$151,785	\$147,785

\$44,358 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Year ended December 31:	
2019	\$42,087
2020	(\$9,262)
2021	(\$36,236)
2022	(\$36,947)

Actuarial assumptions. The total pension 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 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

TRI-LAKES WASTEWATER
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

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

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

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

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

TRI-LAKES WASTEWATER
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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%.

TRI-LAKES WASTEWATER
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$816,245	\$512,612	\$259,341

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.

TRI-LAKES WASTEWATER
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

Changes between the measurement date of the net pension liability and December 31, 2018 (Continued)

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

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, in the Local Government Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2018, the Facility reported a liability of \$512,612 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 Facility'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.

TRI-LAKES WASTEWATER
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

Changes between the measurement date of the net pension liability and December 31, 2018 (Continued)

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%	\$ 362,579

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

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

TRI-LAKES WASTEWATER
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

General Information about the 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 the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure

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

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

General Information about the OPEB Plan (Continued)

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

DPS Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Facility is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Facility were \$3,303 for the year ended December 31, 2018.

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

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

At December 31, 2018, the Facility reported a liability of \$46,486 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 Facility's proportion of the net OPEB liability was based on Facility's 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 Facility's proportion was 0.00358%, which was an increase of 0.0003% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Facility recognized OPEB expense of \$4,272. At December 31, 2018, the Facility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$220	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$778
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$3,267	N/A
Contributions subsequent to the measurement date	\$3,303	N/A
Total	\$6,790	\$778

\$3,303 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

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

Year ended December 31:	
2019	\$491
2020	\$491
2021	\$491
2022	\$493
2023	\$685
2024	\$58

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

TRI-LAKES WASTEWATER
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

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

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

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

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

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

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

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

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

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

Healthy, post-retirement mortality assumptions for the Facility 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.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

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

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

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

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

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

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

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

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

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

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

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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 Facility'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 Rates	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	\$45,207	\$46,486	\$48,026

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

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

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.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$52,265	\$46,486	\$41,553

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: RETIREMENT PLAN

The Facility participates in a Section 457 Deferred Compensation Plan for its employees. The plan is administered by Lincoln National Life. The Facility matches 5% of the gross salary of all participating employees. During the year ended December 31, 2018 the Facility contributed \$44,358 to the plan.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Joint Ownership

In 1977, Woodmoor Water and Sanitation District No.1, Palmer Lake Sanitation District, and Monument Sanitation District (participating districts) entered into an agreement for the joint operation and use of a wastewater treatment facility.

In 1988, by amendment to the original agreement, Woodmoor Sanitation District No.1 began management of the Facility in accordance with the policies and procedures for joint use established by the coordinating committee.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: **COMMITMENTS AND CONTINGENCIES** (Continued)

Joint Ownership (Continued)

In 1996, the three participating districts entered into an Amended Joint Use of Facilities Agreement which replaced all prior agreements with regard to management of the Facility. Since the amendment, the Facility is operated and managed as a joint venture of the participating districts.

As of December 2006, Woodmoor Water and Sanitation District No.1 no longer manages the Facility. The Facility Manager manages under the direction of the Joint Use Committee Board of Directors.

The real and personal property and fixtures of the Facility are commonly owned by the districts in equal, undivided one-third interests, with each district possessing the right to use the real estate. Major repair or replacement expenses in excess of \$5,000 are assessed equally to each district.

Operating expenses and major repair and replacement expenses less than \$5,000 are billed to the respective districts on a monthly basis in accordance with each district's pro rata contribution to the monthly flows and BOD loadings discharged into the Facility. Each calendar month, 40% of operating expenses are billed by influent flows and 60% of operating expenses are billed by BOD loadings. The capacity is subject to change with future facility expansion.

In February 2015, Woodmoor Water and Sanitation District No. 1 and Palmer Lake Sanitation District entered into an Offer of Settlement Agreement. The purpose of the agreement is to ensure that the state mandated improvements to the Trilakes Wastewater Facility are not delayed and that the Facility's grant funds for the improvements are not jeopardized despite the ongoing dispute among the participating districts regarding the cost sharing of the capital improvements. The agreement establishes preliminary cost allocation, whereas Woodmoor Water and Sanitation District No. 1 agrees to cover 66.66% of the project costs until a settlement among the districts can be reached. This agreement was amended in July 2015. In the amended agreement, Woodmoor Water and Sanitation District No. 1 had agreed to provide gap funds to the Palmer Lake Sanitation District in the event that the grant funds are not received.

A final court ruling was issued on May 23, 2016 granting the Woodmoor Water and Sanitation District No 1's motion for summary judgment for costs of the Phase I improvements to be allocated 1/3 to Palmer Lake Sanitation District, 1/3 to Monument Sanitation District, and 1/3 to Woodmoor Water and Sanitation District No 1. Subsequent to the ruling, the defendants (Monument Sanitation District and Palmer Lake Sanitation District) filed an appeal with the appellate courts on June 22nd, 2016. The District Court ruled against the defendants and in favor of the Woodmoor Water and Sanitation District No. 1 on September 15, 2018.

TRI-LAKES WASTEWATER
TREATMENT FACILITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: *COMMITMENTS AND CONTINGENCIES* (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Tabor Amendment is subject to many interpretations, but the Facility believes it is exempt from the provisions of the amendment.

NOTE 9: **RESTATEMENT OF NET POSITION**

The beginning net position was decreased by \$39,505 as the Facility implemented Governmental Accounting Standards Board (GASB) Statement 75.

REQUIRED SUPPLEMENTARY INFORMATION

TRI-LAKES WASTEWATER TREATMENT FACILITY
 SCHEDULE OF THE FACILITY'S PROPORTIONATE SHARE
 LOCAL GOVERNMENT DIVISION TRUST FUND

Years Ended December 31,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Facility's proportionate share of the Net Pension Liability	0.0414%	0.0393%	0.0427%	0.0460%
Facility's proportionate share of the Net Pension Liability	\$ 371,310	\$ 432,863	\$ 576,125	\$ 512,624
Facility's covered-employee payroll	\$ 226,998	\$ 226,998	\$ 263,959	\$ 290,438
Facility's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	163.6%	190.7%	218.3%	176.5%
Plan fiduciary net position as a percentage of the total pension liability	80.7%	76.9%	73.6%	79.4%

See the accompanying independent auditors' report

TRI-LAKES WASTEWATER TREATMENT FACILITY

SCHEDULE OF THE FACILITY'S CONTRIBUTIONS
LOCAL GOVERNMENT DIVISION TRUST FUND

Years Ended December 31,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily required contributions	\$ 28,299	\$ 32,736	\$ 39,790	\$ 44,358
Contributions in relation to the Statutorily required contributions	<u>28,299</u>	<u>32,736</u>	<u>39,790</u>	<u>44,358</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Facility's covered-employee payroll	\$ 223,166	\$ 263,959	\$ 290,438	\$ 323,777
Contributions as a percentage of covered-employee payroll	12.68%	12.40%	13.70%	13.70%

See the accompanying independent auditors' report

TRI-LAKES WASTEWATER TREATMENT FACILITY
 SCHEDULE OF THE FACILITY'S PROPORTIONATE SHARE
 HEALTH CARE TRUST FUND

Years Ended December 31,

	2016	2017
Facility's proportionate share of the Net OPEB Liability	0.0033%	0.0036%
Facility's proportionate share of the Net OPEB Liability	\$ 42,467	\$ 46,486
Facility's covered-employee payroll	\$ 263,959	\$ 290,438
Facility's proportionate share of the Net OPEB Liability as a percentage of its covered-employee payroll	16.1%	16.0%
Plan fiduciary net position as a percentage of the total OPEB liability	16.7%	17.5%

See the accompanying independent auditors' report

TRI-LAKES WASTEWATER TREATMENT FACILITY

SCHEDULE OF THE FACILITY'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended December 31,

	<u>2017</u>	<u>2018</u>
Statutorily required contributions	\$ 2,962	\$ 3,303
Contributions in relation to the Statutorily required contributions	<u>2,962</u>	<u>3,303</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Facility's covered-employee payroll	\$ 290,438	\$ 323,777
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

See the accompanying independent auditors' report

INDIVIDUAL FUND FINANCIAL STATEMENT

TRI-LAKES WASTEWATER TREATMENT FACILITY

BUDGETARY COMPARISON SCHEDULE

PROPRIETARY FUND TYPE

Year Ended December 31, 2018

	2018		VARIANCE Positive (Negative)	2017 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Interdistrict Income	\$ 1,149,563	\$ 1,092,374	\$ (57,189)	\$ 1,103,476
Other	-	12,293	12,293	425
TOTAL REVENUES	<u>1,149,563</u>	<u>1,104,667</u>	<u>(44,896)</u>	<u>1,103,901</u>
EXPENDITURES				
Construction	1,000	-	1,000	-
Dues, Subscriptions, Education, and Travel	7,000	15,277	(8,277)	2,676
Permits and Licenses	13,000	14,857	(1,857)	14,357
Equipment Expenses	2,500	1,307	1,193	27,644
Insurance	24,000	34,796	(10,796)	22,982
Repairs and Maintenance	197,455	67,429	130,026	25,579
Miscellaneous Expenses	2,500	2,086	414	2,365
Office Expenses	4,800	2,667	2,133	3,997
Plant Operator's Expense	443,991	449,938	(5,947)	419,344
Professional Fees	22,000	42,725	(20,725)	39,038
Engineering Consultant	10,000	-	10,000	23,269
Management and Secretarial	25,125	2,925	22,200	2,665
Small Tools	500	452	48	306
Supplies	15,720	15,261	459	53,176
Special Chemical Monitoring	95,464	75,205	20,259	77,961
Vehicle Expense	4,720	5,371	(651)	2,444
Utilities	142,413	145,258	(2,845)	136,245
Sludge Removal	132,375	132,820	(445)	173,874
Capital Improvements	-	-	-	4,033
Contingency	5,000	-	5,000	-
TOTAL EXPENDITURES	<u>1,149,563</u>	<u>1,008,374</u>	<u>140,189</u>	<u>1,031,955</u>
NET INCOME (LOSS), Budget Basis	<u>\$ -</u>	<u>96,293</u>	<u>\$ 96,293</u>	<u>71,946</u>
GAAP BASIS ADJUSTMENTS				
Depreciation		(257,217)		(255,864)
Capital Improvements		-		26,475
Pension Expense		(98,847)		(65,682)
OPEB Expense		(969)		-
NET GAIN (LOSS) GAAP Basis		(260,740)		(223,125)
NET POSITION, Beginning, restated		<u>7,490,030</u>		<u>7,752,660</u>
NET POSITION, Ending		<u>\$ 7,229,290</u>		<u>\$ 7,529,535</u>

See the accompanying independent auditors' report.