



# Soldier Canyon Water Treatment Authority

Financial Statements and Supplementary  
Information  
For the Years Ended December 31, 2018 and 2017



# Soldier Canyon Water Treatment Authority

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the Soldier Canyon Water Treatment Authority (the "Authority"), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Soldier Canyon Water Treatment Authority as of December 31, 2018 and 2017, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



### *Emphasis of Matters*

As discussed in Note 2 to the basic financial statements, the Authority has changed its method of accounting and reporting for post employment benefits other than pensions during 2018 due to the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the standard required retrospective application resulting in a \$208,847 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, pension and other post-employment benefit related schedules on pages 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues and Expenses - Budget and Actual (Budgetary Basis) on pages 39 and 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*ACM LLP*

Greeley, Colorado  
March 14, 2019

# Soldier Canyon Water Treatment Authority

## Management's Discussion and Analysis

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

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

### 2018 Highlights - Business-Type Activities

- As of December 31, 2018, the Authority's net position was \$28,354,594, representing an increase of \$1,072,632 when compared to the balance as of December 31, 2017. In 2018 the Authority implemented the GASB 75 standard relating to other post-employment benefits ("OPEB") reporting, which resulted in a restatement of previously reported net position for a decrease of \$208,847.
- Total operating revenues increased to \$4,535,730 during 2018, which was \$1,308,558 more than in 2017.
- Total operating expenses were \$4,668,156 for 2018 representing an increase of \$449,329 when compared to 2017.
- Net capital assets were \$28,522,744 in 2018 compared to \$25,388,651 in 2017 for an increase of \$3,134,093.
- The Authority has no long-term debt.

### Using this Annual Report

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

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

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

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

# Soldier Canyon Water Treatment Authority

## Management's Discussion and Analysis

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### Condensed Statement of Net Position

December 31,	2018	2017
Current assets	\$ 3,469,624	\$ 4,731,632
Capital assets, net	28,522,744	25,388,651
<u>Total assets</u>	<u>31,992,368</u>	<u>30,120,283</u>
Deferred outflows of resources	436,133	880,083
Current Liabilities	696,236	359,097
Long-term liabilities	2,878,203	3,329,857
<u>Total liabilities</u>	<u>3,574,439</u>	<u>3,688,954</u>
Deferred inflows of resources	499,468	29,450
Net investment in capital assets	28,522,744	25,388,651
Unrestricted	(168,150)	1,893,311
<u>Total net position</u>	<u>\$ 28,354,594</u>	<u>\$ 27,281,962</u>

The net position of the Authority increased to \$28,354,594 during 2018, a \$1,072,632 or 3.9% increase from 2017.

### Review of Revenues

Water charges were \$4,535,730 during 2018. This represents an increase of \$1,308,558 or 40.5% from 2017.

### Review of Operating Expenses

Years Ending December 31,	2018	2017
Operating Expenses:		
Operating and maintenance	\$ 3,797,582	\$ 3,365,612
Administrative services	163,462	226,074
Depreciation	707,112	627,141
<u>Total</u>	<u>\$ 4,668,156</u>	<u>\$ 4,218,827</u>

In 2018, operations and maintenance expenses were 6.5% under the final budget and up 12.8% from the previous year of \$3,365,612. Increases in supplies and chemical costs caused expenses to increase slightly compared to the previous year. Depreciation increased to \$707,112 in 2018 as compared to \$627,141 in 2017.

# Soldier Canyon Water Treatment Authority

## Management's Discussion and Analysis

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### Capital Contributions and Transfers

The Loveland/Ft. Collins, East Larimer County and North Weld County Water Districts (the "Districts") had cash contributions of \$1,205,058 and \$5,312,650 to the Authority during 2018 and 2017. There were no capital contributions in 2018. In 2017, the Districts contributed their ownership in Soldier Canyon Filter Plant and related capital assets to the Authority in exchange for specified water treatment capacity. The total capital contributions in 2017 was \$22,665,492.

### Capital Asset Additions

Year Ending December 31,	2018	2017
Land	\$ 83,869	\$ -
Construction in progress	3,316,857	1,024,898
Filter plant	-	22,665,492
Equipment	440,479	403,776
Total	\$ 3,841,205	\$ 24,094,166

Additions in 2018 and 2017 were:

- Water treatment filter plant, plant expansion and improvements, safety equipment, and general equipment totaling \$3,841,205 and \$24,094,166, respectively.

### Debt and Other Financial Obligations

The Authority has no outstanding debt at December 31, 2018.

### Basic Service Fees, Rates and Changes

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

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

### Capital Improvement Program

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

# Soldier Canyon Water Treatment Authority

## Management's Discussion and Analysis

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The following table sets forth a summary of the Authority's capital assets acquired between 2017 and 2018.

### Capital Projects/Equipment Acquisition Summary (Funded Projects) 2017-2018

	Year	Cost
TOC Analyzer	2018	\$ 22,082
Expansion	2018	2,650,166
Water treatment improvements	2018	364,223
Security Improvements	2018	16,082
Control System Improvements	2018	38,092
HydroPower Project	2018	750,560
Filter plant	2017	22,665,492
Plant Upgrade Evaluation	2017	754,661
Water treatment improvements	2017	159,983
Control System Improvements	2017	75,645
HydroPower Project	2017	402,943
Skid Steer & Bucket	2017	35,442
Grand Total		\$ 27,935,371

### Financial Contract

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

## Basic Financial Statements

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# Soldier Canyon Water Treatment Authority

## Statements of Net Position

<i>December 31,</i>	2018	2017 (Restated)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,438,163	\$ 2,560,063
Accounts receivable	861,679	2,018,944
Prepaid expenses	97,212	100,367
Inventory of chemicals	72,570	52,258
Total current assets	3,469,624	4,731,632
<b>Capital assets</b>		
Capital assets not being depreciated	4,876,723	1,475,997
Capital assets being depreciated	23,646,021	23,912,654
Total capital assets	28,522,744	25,388,651
<b>Total assets</b>	<b>31,992,368</b>	<b>30,120,283</b>
<b>Deferred outflows of resources</b>		
Deferred outflows of resources relating to pensions	413,795	880,083
Deferred outflows of resources relating to OPEB	22,338	-
Total deferred outflows of resources	436,133	880,083
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	612,131	276,846
Accrued payroll liabilities	84,105	82,251
Total current liabilities	696,236	359,097
<b>Noncurrent liabilities:</b>		
Accrued compensated absences	97,263	87,521
Net pension liability	2,549,690	3,033,489
Net OPEB liability	231,250	208,847
Total noncurrent liabilities	2,878,203	3,329,857
<b>Total liabilities</b>	<b>3,574,439</b>	<b>3,688,954</b>
<b>Deferred inflows of resources</b>		
Deferred inflows of resources relating to pensions	495,599	29,450
Deferred inflows of resources relating to OPEB	3,869	-
Total deferred inflows of resources	499,468	29,450
<b>Net position:</b>		
Net investment in capital assets	28,522,744	25,388,651
Unrestricted	(168,150)	1,893,311
<b>Total net position</b>	<b>\$ 28,354,594</b>	<b>\$ 27,281,962</b>

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

# Soldier Canyon Water Treatment Authority

## Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2018	2017 (Restated)
Operating revenues:		
Water charges	\$ 4,535,730	\$ 3,227,172
<b>Total operating revenues</b>	<b>4,535,730</b>	<b>3,227,172</b>
Operating expenses:		
Source of supply	17,343	-
Water treatment	3,780,239	3,365,612
Administration and general	163,462	226,074
Depreciation	707,112	627,141
<b>Total operating expenses</b>	<b>4,668,156</b>	<b>4,218,827</b>
Operating loss	(132,426)	(991,655)
Cash contributions from participants	1,205,058	5,312,650
Capital contributions from participants	-	22,665,492
Change in net position	1,072,632	26,986,487
Net position at beginning of year	27,281,962	504,322
Cumulative effect of a change in accounting principle (Note 2)	-	(208,847)
<b>Net position at end of year</b>	<b>\$ 28,354,594</b>	<b>\$ 27,281,962</b>

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

# Soldier Canyon Water Treatment Authority

## Statements of Cash Flows

<i>Years Ended December 31,</i>	2018	2017 (Restated)
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 5,692,995	\$ 1,635,519
Cash paid to employees	(1,675,814)	(1,605,337)
Cash paid to suppliers	(1,779,987)	(1,876,898)
Net cash flows from operating activities	2,237,194	(1,846,716)
<b>Cash flows from capital and related financing activities:</b>		
Capital expenditures	(3,564,152)	(1,207,785)
Cash contributions from participants	1,205,058	5,312,650
Net cash flows from capital and related financing activities	(2,359,094)	4,104,865
Net change in cash and cash equivalents	(121,900)	2,258,149
Cash and cash equivalents at beginning of year	2,560,063	301,914
Cash and cash equivalents at end of year	\$ 2,438,163	\$ 2,560,063
<b>Reconciliation of operating loss to net cash flows from operating activities:</b>		
Operating loss	\$ (132,426)	\$ (991,655)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	707,112	627,141
Changes in operating assets and liabilities:		
Receivables	1,157,265	(1,591,653)
Prepaid expenses	3,155	(3,844)
Inventory of chemicals	(20,312)	26,803
Accounts payable	58,232	(293,137)
Accrued payroll liabilities	1,854	35,049
Accrued compensated absences	9,742	12,768
Pension liability and related items	448,638	331,812
OPEB liability and related items	3,934	-
Net cash flows from operating activities	\$ 2,237,194	\$ (1,846,716)
<b>Supplemental noncash flow information:</b>		
Capital assets acquired through contributions from the Districts	\$ -	\$ 22,665,492
Capital assets acquired through accounts payable	\$ 277,053	\$ 220,889

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

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Organization*

The Soldier Canyon Water Treatment Authority (the "Authority") was formed on February 1, 2017 as a result of the transfer of all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Soldier Canyon Filter Plant (the "Plant"). In connection with the formation of the Authority, the North Weld County Water District ("NWCWD"), Fort Collins and Loveland Water District ("FCLWD"), and East Larimer County Water District ("ELCO"), (collectively the "Districts"), contributed their ownership in the Soldier Canyon Filter Plant (previously accounted for as a joint venture), along with the related capital assets, to the Authority in exchange for specified water treatment capacity. The purpose of the Authority is to provide treated water to the Districts that have acquired water treatment capacity (the right to purchase water) from the Authority. In conformity with accounting principles generally accepted in the United States ("GAAP") issued by the Governmental Accounting Standards Board ("GASB"), the Authority is the reporting entity for financial reporting purposes. The Authority is the lowest level of government having financial accountability and control to provide water filtration service within the political subdivision identified as the Soldier Canyon Water Treatment Authority. The accounts of the Authority are organized on the basis of a proprietary fund. The operations of the Authority are accounted for with a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

#### *Financial Reporting Entity*

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

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

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

#### *Basic Financial Statements*

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

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### *Basis of Accounting*

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

### *Budgets and Budgetary Accounting*

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

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

The following is a summary of the original budget, total revisions, and revised budget for total expenditures for fiscal year 2018:

	Original Budget	Total Revision	Revised Budget
Enterprise fund	\$ 9,486,601	\$ -	\$ 9,486,601

### *Cash Equivalents*

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

### *Allowance for Doubtful Accounts*

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

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### *Inventory*

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

### *Capital Assets*

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

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

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

### *Compensated Absences*

Obligations associated with the Authority's vacation policy are recorded as a liability and expensed when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is considered a long-term liability. The Authority's liability for accrued compensated absences was \$97,263 and \$87,521 at December 31, 2018 and 2017, respectively, shown as accrued compensation on the Statements of Net Position.

### *Prepaid Expenses*

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

### *Deferred Outflows/Inflows of Resources*

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred outflows and inflows of resources primarily relate to pensions and other post-employment benefits ("OPEB") more fully described in notes 5 and 6.

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### *Net Position*

Net position is classified in the following categories:

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

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

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

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

### *Revenue Recognition*

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

### *Pensions*

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

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 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 5 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*.

### *Other Post-Employment Benefits*

The Authority participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by 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.

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### *Use of Estimates*

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

### *Reclassifications*

Certain amounts in the 2017 financial statements have been reclassified for comparative purposes to conform to the current year financial statement presentation. These reclassifications had no effect on previously reported net position or change in net position.

## 2. Adoption of New Accounting Principle

During fiscal year 2018, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities. The result of the implementation of this standard was to decrease the net position and establish a net OPEB liability of \$208,847 as of December 31, 2017.

## 3. Cash and Investments

### *Deposits*

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes ("CRS") require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2018 and 2017, the Authority had deposits with a financial institution with a carrying amount of \$2,473,913 and \$2,559,813, respectively. The bank balances with the financial institution was \$2,467,675 and \$2,646,005, respectively. Of these amounts, \$250,000 was covered by federal depository insurance. The remaining balances of \$2,217,675 and \$2,396,005 at December 31, 2018 and 2017, respectively, was collateralized with securities held by the financial institutions' agents but not in the Authority's name.

At December 31, 2018 and 2017, the Authority had cash balances as follows:

	2018	2017
Cash on hand	\$ 250	\$ 250
Bank deposits	2,437,913	2,559,813
Total	\$ 2,438,163	\$ 2,560,063

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### *Investments*

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

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

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

### *Interest Rate Risk*

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

### *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through the PDPA. As of December 31, 2018 and 2017, none of the Authority's bank balances were exposed to custodial credit risk.

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

### 4. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ -	\$ 83,869	\$ -	83,869
Construction in progress	1,475,997	3,316,857	-	4,792,854
<b>Total capital assets not being depreciated</b>	<b>1,475,997</b>	<b>3,400,726</b>	<b>-</b>	<b>4,876,723</b>
<b>Capital assets, being depreciated:</b>				
Filter plant	22,665,492	-	-	22,665,492
Equipment	1,874,303	440,479	-	2,314,782
<b>Total capital assets being depreciated</b>	<b>24,539,795</b>	<b>440,479</b>	<b>-</b>	<b>24,980,274</b>
<b>Less accumulated depreciation:</b>				
Filter plant	(415,541)	(453,310)	-	(868,851)
Equipment	(211,600)	(253,802)	-	(465,402)
<b>Total accumulated depreciation</b>	<b>(627,141)</b>	<b>(707,112)</b>	<b>-</b>	<b>(1,334,253)</b>
<b>Total capital assets, being depreciated, net</b>	<b>23,912,654</b>	<b>(266,633)</b>	<b>-</b>	<b>23,646,021</b>
<b>Total capital assets, net</b>	<b>\$ 25,388,651</b>	<b>\$ 3,134,093</b>	<b>\$ -</b>	<b>\$ 28,522,744</b>

The following is a summary of capital assets activity for the year ended December 31, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ 451,099	\$ 1,024,898	\$ -	\$ 1,475,997
<b>Total capital assets not being depreciated</b>	<b>451,099</b>	<b>1,024,898</b>	<b>-</b>	<b>1,475,997</b>
<b>Capital assets, being depreciated:</b>				
Filter plant	-	22,665,492	-	22,665,492
Equipment	1,470,527	403,776	-	1,874,303
<b>Total capital assets being depreciated</b>	<b>1,470,527</b>	<b>23,069,268</b>	<b>-</b>	<b>24,539,795</b>
<b>Less accumulated depreciation:</b>				
Filter plant	-	(415,541)	-	(415,541)
Equipment	-	(211,600)	-	(211,600)
<b>Total accumulated depreciation</b>	<b>-</b>	<b>(627,141)</b>	<b>-</b>	<b>(627,141)</b>
<b>Total capital assets, being depreciated, net</b>	<b>1,470,527</b>	<b>22,442,127</b>	<b>-</b>	<b>23,912,654</b>
<b>Total capital assets, net</b>	<b>\$ 1,921,626</b>	<b>\$ 23,467,025</b>	<b>\$ -</b>	<b>\$ 25,388,651</b>

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### 5. Public Employees' Retirement Association of Colorado

#### *Plan description*

Eligible employees of the Authority are provided with pensions through the Local Government Division Trust Fund—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (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](http://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 structure is the greater of the:

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

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

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

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

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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

### *Contributions*

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

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

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Authority were \$192,942 and \$168,641 for the year ended December 31, 2018 and 2017, respectively.

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

At December 31, 2018 and 2017, the Authority reported a liability of \$2,549,690 and \$3,033,489, respectively 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, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Authority's proportion of the net pension liability was based on the Authority's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the Authority's proportion was 0.22899 percent, which was an increase of 0.00434 from its proportion measured as of December 31, 2016.

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

For the year ended December 31, 2018 and 2017, the Authority recognized pension expense of \$641,580 and \$522,926, respectively. At December 31, 2018 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 159,506	\$ -
Changes of assumptions or other inputs	26,934	-
Net difference between projected and actual earnings on pension plan investments	-	495,599
Changes in proportion and differences between contributions recognized and proportionate share of contributions	34,413	-
Authority contributions subsequent to the measurement date	192,942	-
Total	\$ 413,795	\$ 495,599

As of December 31, 2018, the \$192,942 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:

Year Ended December 31,	Amortization
2019	\$ (171,510)
2020	2,931
2021	(46,169)
2022	(59,998)
	\$ (274,746)

At December 31, 2017 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,982	\$ -
Changes of assumptions or other inputs	215,171	8,772
Net difference between projected and actual earnings on pension plan investments	364,309	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	77,980	20,678
Authority contributions subsequent to the measurement date	168,641	-
Total	\$ 880,083	\$ 29,450

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### *Actuarial assumptions*

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

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

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

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

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

For disabled retirees, the mortality assumption was 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.

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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

### *Discount rate*

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

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

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net pension liability	\$ 4,060,829	\$ 2,549,690	\$ 1,289,938

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### *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](http://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](http://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 Authority reported a liability of \$2,549,690 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 Authority'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%	\$ 1,803,439

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### 6. Other Post-Employment Benefits

#### *Plan description*

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

#### *Benefits provided*

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

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

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

#### *PERA Benefit Structure*

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

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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

### *DPS Benefit Structure*

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

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

### *Contributions*

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Authority were \$15,521 and \$13,566 for the years ended December 31, 2018 and 2017, respectively.

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

At December 31, 2018 and 2017, the Authority reported a liability of \$231,250 and \$208,847, respectively, 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 Authority's proportion of the net OPEB liability was based on the Authority'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 Authority's proportion was 0.01779 percent, which was an increase of 0.00055 from its proportion measured as of December 31, 2016.

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

For the year ended December 31, 2018 the Authority recognized OPEB expense of \$19,455. At December 31, 2018, the Authority 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
Differences between expected and actual experience	\$ 1,094	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	3,869
Changes in proportion and differences between contributions recognized and proportionate share of contributions	5,723	-
Authority contributions subsequent to the measurement date	15,521	-
Total	\$ 22,338	\$ 3,869

The \$15,521 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amortization
2019	\$ 647
2020	647
2021	647
2022	646
2023	342
Thereafter	19
	\$ 2,948

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### *Actuarial assumptions*

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

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

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

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

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

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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

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

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

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

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

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

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

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

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

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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

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

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

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

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

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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%
<b>Total</b>	<b>100.00%</b>	

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 Authority'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	\$ 224,887	\$ 231,250	\$ 238,913

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### *Discount rate*

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

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

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

### *Sensitivity of the Authority'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%)
Authority's proportionate share of the net OPEB liability	\$ 259,997	\$ 231,250	\$ 206,713

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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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](http://www.copera.org/investments/pera-financial-reports).

### 7. Voluntary Investment Program

#### *Plan description*

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

#### *Funding policy*

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the CRS, as amended. In addition, the Authority has agreed to match employee contributions up to 3 percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2018 and 2017 program members contributed \$16,972 and \$15,014 and the Authority recognized pension expense of \$6,891 and \$4,619, respectively, for the Voluntary Investment Program.

### 8. Risk Management

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

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

At December 31, 2017 (the most current audited financial statements) CSDPLP has total admitted assets of \$56,602,888, liabilities of \$30,815,521, and unassigned surplus of \$25,787,367. The liability amount includes no long-term debt. Total revenue for 2017 amounted to \$20,713,694 and total expenses were \$18,721,378 resulting in net income of \$1,992,316. The amount of the Authority's share of these amounts is less than 1%.

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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### 9. Contingencies

The Authority is self-insured for property and liability insurance. As discussed in Note 8, the Authority is a member of the CSDPLP. The CSDPLP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CSDPLP has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs.

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

### 10. Related Party Transactions

As described in Note 1, the Authority has granted water treatment capacity to the Districts. Substantially all of the revenue of the Authority is derived from the Districts. Therefore, the Authority's operations are economically dependent on the continued utilization of the Authority's facilities by the Districts.

The following revenues were billed to the Districts and the following amounts were owed from the Districts to the Authority:

December 31,	2018	2017
<b>Operating revenues:</b>		
Fort Collins/Loveland Water District	\$ 1,639,014	\$ 1,333,775
East Larimer County Water District	1,156,949	575,162
North Weld County Water District	1,739,767	1,318,235
<b>Total operating revenues</b>	<b>\$ 4,535,730</b>	<b>\$ 3,227,172</b>
<b>December 31,</b>	<b>2018</b>	<b>2017</b>
<b>Receivables - Participants</b>		
Fort Collins/Loveland Water District	\$ 115,958	\$ 249,378
East Larimer County Water District	204,844	63,607
North Weld County Water District	540,877	1,705,959
<b>Total Receivables - Participants</b>	<b>\$ 861,679</b>	<b>\$ 2,018,944</b>

### 11. TABOR Compliance

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

# Soldier Canyon Water Treatment Authority

## Notes to Financial Statements

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

### **12. Subsequent Events**

The Authority evaluated subsequent events through March 14, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

## Required Supplementary Information

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

	2018	2017
Authority's proportion of the net pension liability	0.22899%	0.22465%
Authority's proportionate share of the net pension liability	\$ 2,549,690	\$ 3,033,489
Authority's covered payroll	\$ 1,329,979	\$ 1,306,741
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	191.71%	232.14%
Plan fiduciary net position as a percentage of the total pension	79.37%	73.60%

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

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

*See accompanying Independent Auditor's Report*

**Soldier Canyon Water Treatment Authority**  
**Schedule of Authority Contributions - Pension**  
**Last Ten Years**

	2018	2017
Statutorily Required Contribution	\$ 192,942	\$ 168,641
Contributions in Relation to the Statutorily Required Contribution	192,942	168,641
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ 1,521,621	\$ 1,329,979
Contributions as a Percentage of Covered Payroll	12.68%	12.68%

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

*See accompanying Independent Auditor's Report.*

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

	2018	2017
Authority's proportion of the net OPEB liability	0.01779%	0.01724%
Authority's proportionate share of the net OPEB liability	\$ 231,250	\$ 208,847
Authority's covered payroll	\$ 1,329,979	\$ 1,306,741
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.39%	15.98%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

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

*This schedule is presented to illustrate the requirement to show information for ten years, additional years' information will be displayed as it becomes available.*

*See accompanying Independent Auditor's Report*

**Soldier Canyon Water Treatment Authority**  
**Schedule of Authority Contributions - OPEB**  
**Last Ten Years**

	2018	2017
Statutorily Required Contribution	\$ 15,521	\$ 13,566
Contributions in Relation to the Statutorily Required Contribution	15,521	13,566
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ 1,521,621	\$ 1,329,979
Contributions as a Percentage of Covered Payroll	1.02%	1.02%

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

*See accompanying Independent Auditor's Report.*

## Supplementary Information

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**Soldier Canyon Water Treatment Authority**  
(With Summarized Prior Year Information)

**Schedules of Revenues and Expenses - Budget and Actual (Budgetary Basis)**

<i>Years Ended December 31,</i>	<b>2018</b>		<b>2017 (Restated)</b>	
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
	<u>Original/Final</u>	Budget Basis	Positive (Negative)	Budget Basis
<b>Revenues and contributions:</b>				
<b>Operating revenues:</b>				
North Weld County Water District	\$ 1,667,051	\$ 1,739,767	\$ 72,716	\$ 1,318,235
Fort Collins-Loveland Water District	1,678,068	1,639,014	(39,054)	1,333,775
East Larimer County Water District	1,120,850	1,156,949	36,099	575,162
<b>Total operating revenues</b>	<b>4,465,969</b>	<b>4,535,730</b>	<b>69,761</b>	<b>3,227,172</b>
<b>Non-operating revenue:</b>				
Contributions from participants	3,036,990	1,205,058	(1,831,932)	27,978,142
Debt service revenue from participants	2,021,144	-	(2,021,144)	-
Debt proceeds	21,911,119	-	(21,911,119)	-
<b>Total non-operating revenues</b>	<b>26,969,253</b>	<b>1,205,058</b>	<b>(25,764,195)</b>	<b>27,978,142</b>
<b>Total revenues</b>	<b>31,435,222</b>	<b>5,740,788</b>	<b>(25,694,434)</b>	<b>31,205,314</b>
<b>Expenditures:</b>				
<b>Operating and maintenance:</b>				
Personnel	1,629,745	1,648,031	(18,286)	1,453,698
Employee benefits	554,025	892,999	(338,974)	764,451
Unemployment taxes	4,789	4,911	(122)	4,593
Payroll taxes	23,589	23,421	168	20,875
Source of supply	68,240	17,343	50,897	-
Chemicals	850,545	776,861	73,684	748,232
Supplies	99,413	110,743	(11,330)	82,239
Repairs	82,000	68,385	13,615	71,970
Telephone	15,136	20,922	(5,786)	14,915
Utilities - gas and electric	77,908	79,104	(1,196)	84,405
Water resources	131,485	140,981	(9,496)	105,349
Watershed expenses	30,000	13,881	16,119	14,885
<b>Total operating and maintenance</b>	<b>3,566,875</b>	<b>3,797,582</b>	<b>(230,707)</b>	<b>3,365,612</b>
<b>Administration:</b>				
Insurance	72,100	74,274	(2,174)	66,985
Office supplies	23,510	14,580	8,930	16,115
Outside services	94,000	54,350	39,650	121,038
Publications	5,041	6,142	(1,101)	983
Directors' expenses	15,000	14,116	884	20,953
<b>Total administration</b>	<b>209,651</b>	<b>163,462</b>	<b>46,189</b>	<b>226,074</b>

Continued.

**Soldier Canyon Water Treatment Authority**  
(With Summarized Prior Year Information)

**Schedules of Revenues and Expenses - Budget and Actual (Budgetary Basis)**

<i>Years Ended December 31,</i>	<b>2018</b>		<b>2017 (Restated)</b>	
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
	<u>Original/Final</u>	Budget Basis	Positive (Negative)	Budget Basis
<b>Expenses (continued):</b>				
Other:				
Capital asset acquisitions	5,710,075	3,841,205	1,868,870	1,207,785
<b>Total other</b>	<b>5,710,075</b>	<b>3,841,205</b>	<b>1,868,870</b>	<b>1,207,785</b>
<b>Total expenditures</b>	<b>9,486,601</b>	<b>7,802,249</b>	<b>1,684,352</b>	<b>4,799,471</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$21,948,621</b>	<b>(2,061,461)</b>	<b>\$(24,010,082)</b>	<b>26,405,843</b>
<b>Reconciling items</b>				
Capital asset acquisitions		3,841,205		1,207,785
Depreciation		(707,112)		(627,141)
<b>Change in net position</b>		<b>1,072,632</b>		<b>26,986,487</b>
Net position at beginning of year		27,281,962		504,322
Cumulative effect for a change in accounting principle (Note 2)		-		(208,847)
<b>Net position at end of year</b>		<b>\$ 28,354,594</b>		<b>\$ 27,281,962</b>

*See accompanying Independent Auditor's Report.*