

# **Soldier Canyon Water Treatment Authority**

Financial Statements and  
Supplementary Information

December 31, 2023 and 2022

# **Soldier Canyon Water Treatment Authority**

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December 31, 2023 and 2022

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## **Independent Auditors' Report**

To the Board of Directors of  
Soldier Canyon Water Treatment Authority

### **Opinion**

We have audited the accompanying financial statements of the Soldier Canyon Water Treatment Authority (Authority), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

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

#### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

*Baker Tilly US, LLP*

Madison, Wisconsin  
May 17, 2024

# 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's (the "Authority") financial condition and operating results and to also inform the reader on the Authority's financial issues and activities.

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

### 2023 Highlights - Business-Type Activities

- As of December 31, 2023, the Authority's net position was \$63,301,160, representing a decrease of \$647,440 when compared to the balance as of December 31, 2022.
- Total operating revenues increased to \$5,858,776 during 2023, which was \$1,257,529 more than in 2022.
- Total operating expenses were \$8,598,314 for 2023 representing an increase of \$1,590,554 when compared to 2022.
- Net capital assets were \$59,965,970 in 2023 compared to \$62,435,510 in 2022 for a decrease of \$2,469,540.
- 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

### Condensed Statement of Net Position

December 31,	2023	2022	2021
Current assets	\$ 5,123,807	\$ 3,365,187	\$ 4,530,870
Noncurrent assets	-	221,454	-
Capital assets, net	59,965,970	62,435,510	64,038,510
<u>Total assets</u>	<u>65,089,777</u>	<u>66,022,151</u>	<u>68,569,380</u>
Deferred outflows of resources	1,308,145	552,030	624,197
Current Liabilities	406,800	337,566	1,847,089
Long-term liabilities	2,547,769	307,617	1,467,548
<u>Total liabilities</u>	<u>2,954,569</u>	<u>645,183</u>	<u>3,314,637</u>
Deferred inflows of resources	142,193	1,980,398	1,370,520
Net investment in capital assets	59,965,970	62,435,510	62,176,423
Restricted	-	221,454	-
Unrestricted	3,335,190	1,291,636	2,331,997
<u>Total net position</u>	<u>\$ 63,301,160</u>	<u>\$ 63,948,600</u>	<u>\$ 64,508,420</u>

The net position of the Authority decreased to \$63,301,160 during 2023, a \$647,440 or 1.0% decrease from 2022.

### Review of Revenues

Water charges were \$5,858,776 during 2023. This represents an increase of \$1,257,529 or 27.3% from 2022.

### Review of Operating Expenses

Years Ending December 31,	2023	2022	2021
Operating Expenses:			
Operating and maintenance	\$ 5,092,827	\$ 3,669,585	\$ 3,991,558
Administrative services	319,321	300,333	328,684
Depreciation	3,186,166	3,037,842	890,327
<u>Total</u>	<u>\$ 8,598,314</u>	<u>\$ 7,007,760</u>	<u>\$ 5,210,569</u>

In 2023, operations and maintenance expenses were 11.0% under the final budget and up 38.8% from the previous year of \$3,669,585. Increases in the number of permanent staff (added two new Operators and a Trainee Operator), filling of vacant positions, and increased maintenance and repair to Plant equipment all contributed to the increase in operations and maintenance expense. Depreciation increased to \$3,186,166 in 2023 as compared to \$3,037,842 in 2022.

# 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 combined cash contributions of \$2,003,997 and \$1,770,732 to the Authority during 2023 and 2022. 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 Assets

Year Ending December 31,	2023	2022	2021
Land	\$ 83,869	\$ 83,869	\$ 83,869
Construction in progress	654,872	150,712	520,533
Filter plant	66,117,935	65,961,559	64,257,474
Equipment	3,118,651	3,062,561	2,961,983
Total	\$ 69,975,327	\$ 69,258,701	\$ 67,823,859

Additions in 2023 and 2022 were:

- Water treatment filter plant, plant expansion and improvements, safety equipment, and general equipment totaling \$716,626 and \$1,434,842, respectively.

### Debt and Other Financial Obligations

The Authority has no outstanding debt at December 31, 2023.

### 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 the amount of water processed through the system for variable operations and maintenance and their respective capacity share for fixed operations and maintenance and capital. 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 2022 and 2023.

### Capital Projects/Equipment Acquisition Summary (Funded Projects) 2022-2023

	Year	Cost
Stratus Server	2023	\$ 56,088
Decant Pond 2 Joint Sealant	2023	59,385
PLC Upgrade #2	2023	96,993
Electric Forklift	2022	100,578
SCADA Master Plan	2022	66,286
Filter Replacements	2022	1,327,208
HVAC Upgrades	2022	13,454
Scrubber	2022	297,135
<hr/>		
Grand Total		<hr/> \$ 2,017,127 <hr/>

### 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.



**Soldier Canyon Water Treatment Authority**Statements of Net Position  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,555,958	\$ 2,333,492
Accounts receivable, participants	1,046,321	579,768
Accounts receivable, other	-	5,474
Prepaid expenses	228,416	217,215
Inventory of chemicals	293,112	229,238
Total current assets	<u>5,123,807</u>	<u>3,365,187</u>
<b>Noncurrent Assets</b>		
Restricted assets:		
Net pension asset	-	221,454
Capital assets:		
Capital assets not being depreciated	738,741	234,581
Capital assets being depreciated, net accumulated depreciation	<u>59,227,229</u>	<u>62,200,929</u>
Total capital assets	<u>59,965,970</u>	<u>62,435,510</u>
Total noncurrent assets	59,965,970	62,656,964
Total assets	<u>65,089,777</u>	<u>66,022,151</u>
<b>Deferred Outflows of Resources</b>		
Deferred amounts related to pensions	1,242,180	503,413
Deferred amounts related to OPEB	<u>65,965</u>	<u>48,617</u>
Total deferred outflows of resources	<u>1,308,145</u>	<u>552,030</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	346,259	292,070
Accrued payroll liabilities	<u>60,541</u>	<u>45,496</u>
Total current liabilities	<u>406,800</u>	<u>337,566</u>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	141,605	134,716
Net pension liability	2,260,903	-
Net OPEB liability	<u>145,261</u>	<u>172,901</u>
Total noncurrent liabilities	<u>2,547,769</u>	<u>307,617</u>
Total liabilities	<u>2,954,569</u>	<u>645,183</u>
<b>Deferred Inflows of Resources</b>		
Deferred amounts related to pensions	91,031	1,919,319
Deferred amounts related to OPEB	<u>51,162</u>	<u>61,079</u>
Total deferred inflows of resources	<u>142,193</u>	<u>1,980,398</u>
<b>Net Position</b>		
Net investment in capital assets	59,965,970	62,435,510
Restricted:		
Pension	-	221,454
Unrestricted	<u>3,335,190</u>	<u>1,291,636</u>
Total net position	<u>\$ 63,301,160</u>	<u>\$ 63,948,600</u>

See notes to financial statements

## Soldier Canyon Water Treatment Authority

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues</b>		
Water charges	\$ 5,858,776	\$ 4,601,247
Total operating revenues	<u>5,858,776</u>	<u>4,601,247</u>
<b>Operating Expenses</b>		
Source of supply	134,029	57,016
Water treatment	4,958,798	3,612,569
Administration and general	319,321	300,333
Depreciation	<u>3,186,166</u>	<u>3,037,842</u>
Total operating expenses	<u>8,598,314</u>	<u>7,007,760</u>
Operating income (loss)	<u>(2,739,538)</u>	<u>(2,406,513)</u>
<b>Nonoperating Revenue</b>		
Earnings on investments	62,751	20,574
Miscellaneous income	<u>25,350</u>	<u>55,387</u>
Total nonoperating revenues	<u>88,101</u>	<u>75,961</u>
Income (loss) before capital contributions	<u>(2,651,437)</u>	<u>(2,330,552)</u>
Capital contributions from participants	<u>2,003,997</u>	<u>1,770,732</u>
Change in net position	(647,440)	(559,820)
<b>Net Position, Beginning</b>	<u>63,948,600</u>	<u>64,508,420</u>
<b>Net Position, Ending</b>	<u>\$ 63,301,160</u>	<u>\$ 63,948,600</u>

See notes to financial statements

## Soldier Canyon Water Treatment Authority

### Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 5,387,780	\$ 5,591,270
Cash paid to employees	(2,390,728)	(2,245,460)
Cash paid to suppliers	(3,197,524)	(2,701,732)
Net cash flows from operating activities	<u>(200,472)</u>	<u>644,078</u>
<b>Cash Flows From Investing Activities</b>		
Earnings on investments	62,751	20,574
Other income	25,350	55,387
Net cash flows from investing activities	<u>88,101</u>	<u>75,961</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(669,160)	(2,919,524)
Contribution received for construction	2,003,997	1,770,732
Net cash flows from capital and related financing activities	<u>1,334,837</u>	<u>(1,148,792)</u>
Net change in cash and cash equivalents	1,222,466	(428,753)
<b>Cash and Cash Equivalents, Beginning</b>	<u>2,333,492</u>	<u>2,762,245</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 3,555,958</u>	<u>\$ 2,333,492</u>
<b>Noncash Investing, Capital and Financing Activities</b>		
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ (2,739,538)	\$ (2,406,513)
Noncash items included in operating income:		
Depreciation	3,186,166	3,037,842
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Customer accounts receivable	(461,079)	989,116
Prepayments	(11,201)	(190,062)
Materials and supplies	(63,874)	(62,124)
Accounts payable	6,723	(25,581)
Other current liabilities	15,045	740
Accrued compensated absences	6,889	27,523
Pension liability (asset) and related items	(84,698)	(708,152)
OPEB liability and related items	(54,905)	(18,711)
Net cash provided by operating activities	<u>\$ (200,472)</u>	<u>\$ 644,078</u>
<b>Supplemental Noncash Flow Information</b>		
Capital assets acquired through accounts payable	<u>\$ (47,466)</u>	<u>\$ (22,966)</u>

See notes to financial statements

# Soldier Canyon Water Treatment Authority

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Notes to Financial Statements  
December 31, 2023 and 2022

## 1. Summary of Significant Accounting Policies

### Nature of Activities

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, expenses and contributions.

### Financial Reporting Entity

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

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

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

### Basic Financial Statements

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

### Basis of Accounting

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

# Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

## 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.

- 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.
- Public hearings are conducted at regular meetings of the Board of Directors to obtain taxpayer comments.
- Prior to December 15, the budget is legally adopted by the Board of Directors.
- Unused appropriations lapse at the end of each year.
- 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 2023:

	<u>Original Budget</u>	<u>Total Revision</u>	<u>Revised Budget</u>
Enterprise Fund	\$ 6,149,954	\$ -	\$ 6,149,954

## Cash and Cash Equivalents

The Authority considers all highly liquid investments purchased with an original maturity of three months or less and amounts held in local government investment pools to be cash equivalents.

## Local Government Investment Pool

At December 31, 2023 and 2022, the Authority had invested \$1,236,952 and \$1,174,201, respectively, in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.

The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

## Accounts Receivable

Accounts receivable result from the timing of billed accounts and are shown net of an allowance for doubtful accounts. The Authority has determined that no allowance is necessary as of December 31, 2023 or 2022, based on historical collections.

# Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

## Restricted Assets

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

## Prepaid Expenses

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

## 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:

	<u>Years</u>
Filter plant	50 years
Equipment	5-10 years

## 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 assets 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 assets 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 postemployment benefits (OPEB) more fully described in notes 4 and 5.

## 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 \$141,605 and \$134,716 at December 31, 2023 and 2022, respectively, shown as accrued compensated absences on the Statements of Net Position.

# Soldier Canyon Water Treatment Authority

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Notes to Financial Statements  
December 31, 2023 and 2022

## Pensions

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 made changes to certain benefit provisions. Most of these changes were in effect as of December 31, 2022.

## Other Postemployment Benefits (OPEB)

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 (FNP) and additions to/deductions from the FNP 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.

## 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 reduced by any outstanding borrowings attributed to the related assets. 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.

# Soldier Canyon Water Treatment Authority

Notes to Financial Statements

December 31, 2023 and 2022

## 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. Significant accounting estimates include those for the net pension and net OPEB liabilities.

## Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*, Statement No. 101, *Compensated Absences* and Statement No. 102, *Certain Risk Disclosures*. When they become effective, application of these standards may restate portions of these financial statements.

## 2. Liquidity and Availability

### 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, 2023 and 2022, the Authority had deposits with a financial institution with a carrying amount of \$2,318,756 and \$1,159,041, respectively. The bank balances with the financial institution were \$2,333,754 and \$1,173,137, respectively. Of these amounts, \$250,000 was covered by federal depository insurance. The remaining balances of \$2,083,754 and \$923,137 at December 31, 2023 and 2022, respectively, were collateralized with securities held by the financial institutions' agents but not in the Authority's name.

Cash and cash equivalents held by the Authority were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash on hand	\$ 250	\$ 250
Bank deposits	2,318,756	1,159,041
Local government investment pool	1,236,952	1,174,201
Total	<u>\$ 3,555,958</u>	<u>\$ 2,333,492</u>



# **Soldier Canyon Water Treatment Authority**

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Notes to Financial Statements  
December 31, 2023 and 2022

## **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, 2023 and 2022, none of the Authority's bank balances were exposed to custodial credit risk.

## Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

### 3. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 83,869	\$ -	\$ -	\$ 83,869
Construction in progress	150,712	577,909	(73,749)	654,872
Total capital assets, not being depreciated	<u>234,581</u>	<u>577,909</u>	<u>(73,749)</u>	<u>738,741</u>
Capital assets being depreciated:				
Filter plant	65,961,559	84,170	72,206	66,117,935
Equipment	3,062,561	54,547	1,543	3,118,651
Total capital assets being depreciated	<u>69,024,120</u>	<u>138,717</u>	<u>73,749</u>	<u>69,236,586</u>
Less accumulated depreciation for:				
Filter plant	(5,635,215)	(2,901,509)	-	(8,536,724)
Equipment	(1,187,976)	(284,657)	-	(1,472,633)
Total accumulated depreciation	<u>(6,823,191)</u>	<u>(3,186,166)</u>	<u>-</u>	<u>(10,009,357)</u>
Net capital assets being depreciated	<u>62,200,929</u>	<u>(3,047,449)</u>	<u>73,749</u>	<u>59,227,229</u>
Net capital assets	<u>\$ 62,435,510</u>	<u>\$ (2,469,540)</u>	<u>\$ -</u>	<u>\$ 59,965,970</u>

## Soldier Canyon Water Treatment Authority

Notes to Financial Statements

December 31, 2023 and 2022

The following is a summary of capital assets activity for the year ended December 31, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 83,869	\$ -	\$ -	\$ 83,869
Construction in progress	520,533	150,712	(520,533)	150,712
Total capital assets, not being depreciated	<u>604,402</u>	<u>150,712</u>	<u>(520,533)</u>	<u>234,581</u>
Capital assets being depreciated:				
Filter plant	64,257,474	1,218,754	485,331	65,961,559
Equipment	2,961,983	65,376	35,202	3,062,561
Total capital assets being depreciated	<u>67,219,457</u>	<u>1,284,130</u>	<u>520,533</u>	<u>69,024,120</u>
Less accumulated depreciation for:				
Filter plant	(2,228,781)	(2,759,934)	(646,500)	(5,635,215)
Equipment	(1,556,568)	(277,908)	646,500	(1,187,976)
Total accumulated depreciation	<u>(3,785,349)</u>	<u>(3,037,842)</u>	<u>-</u>	<u>(6,823,191)</u>
Net capital assets being depreciated	<u>63,434,108</u>	<u>(1,753,712)</u>	<u>520,533</u>	<u>62,200,929</u>
Net capital assets	<u>\$ 64,038,510</u>	<u>\$ (1,603,000)</u>	<u>\$ -</u>	<u>\$ 62,435,510</u>

#### 4. Public Employees' Retirement Association of Colorado Pension Plan

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 made changes to certain benefit provisions. Most of these changes were in effect as of December 31, 2023.

# Soldier Canyon Water Treatment Authority

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Notes to Financial Statements  
December 31, 2023 and 2022

## Plan Description

Eligible employees of the Authority are provided with pensions through the LGDTF a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1 and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual 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, 2022

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

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

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

In all cases the service retirement benefit is limited to 100% 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% or 100% 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.

# Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

As of December 31, 2020, 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., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007 will receive the lesser of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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

## Contributions Provisions as of December 31, 2023

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 C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of January 1, 2021 through December 31, 2022 are summarized in the table below:

	<b>January 1, 2022 Through June 30, 2022</b>	<b>July 1, 2022 Through December 31, 2022</b>	<b>January 1, 2023 Through June 30, 2023</b>	<b>July 1, 2023 Through December 31, 2023</b>
Employer contribution	8.50 %	9.00 %	9.00 %	9.00 %

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

## Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

The employer contribution requirements are summarized in the table below:

	January 1, 2022 Through June 30, 2022	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023	July 1, 2023 Through December 31, 2023
Employer contribution rate	10.5 %	10.5 %	11.0 %	11.0 %
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)	(1.02)	(1.02)	(1.02)
Amount apportioned to the LGDTF Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	9.48	9.48	9.98	9.98
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	2.20	2.20	2.20	2.20
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	1.50	1.50	1.50	1.50
	<u>.02</u>	<u>.02</u>	<u>.06</u>	<u>.06</u>
Total employer contribution rate to the LGDTF	<u>13.20 %</u>	<u>13.20 %</u>	<u>13.74 %</u>	<u>13.74 %</u>

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Authority were \$319,171 and \$260,906 for the years ended December 31, 2023 and 2022, respectively.

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

At December 31, 2023 and 2022, the Authority reported a liability (asset) of \$2,260,903 and (\$211,454), respectively for its proportionate share of the net pension liability (asset). The net pension liability (asset) for the LGDTF was measured as of December 31, 2021 and 2020, and the total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 and 2020. Standard update procedures were used to roll-forward the total pension liability (asset) to December 31, 2022 and 2021. The Authority's proportion of the net pension liability (asset) was based on the Authority's contributions to the LGDTF for the calendar year 2022 and 2021 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2022, the Authority's proportion was 0.22551%, which was a decrease of 0.03278% from its proportion measured as of December 31, 2021.

For the years ended December 31, 2023 and 2022, the Authority recognized pension expense of (\$84,698) and (708,152) respectively.

At December 31, 2023 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Soldier Canyon Water Treatment Authority

Notes to Financial Statements

December 31, 2023 and 2022

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 11,271
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	923,009	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	79,760
Authority contributions subsequent to the measurement date	319,171	-
	<u>\$ 1,242,180</u>	<u>\$ 91,031</u>
Total		

The \$319,171 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 (asset) in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Years Ending December 31:</b>	<b>Amortization</b>
2024	\$ (164,824)
2025	118,115
2026	337,865
2027	540,822
Thereafter	-
	<u>\$ 831,978</u>

At December 31, 2022 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 10,823	\$ 3,699
Changes of assumptions or other inputs	75,068	-
Net difference between projected and actual earnings on pension plan investments	-	1,915,620
Changes in proportion and differences between contributions recognized and proportionate share of contributions	156,616	-
Authority contributions subsequent to the measurement date	260,906	-
	<u>\$ 503,413</u>	<u>\$ 1,919,319</u>
Total		

# Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

## Actuarial Assumptions

The total pension liability (asset) in the December 31, 2022 valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20-11.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	1.00% compounded
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	annually
PERA benefit structure hired after 12/31/06	Financed by the Annual Increase Reserve (AIR)

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions for members were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled retiree mortality rates are based upon the PubG-2010 Healthy Retiree table with adjustments for credibility and gender, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, projected generationally using the MP-2019 projection scale.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

The mortality assumption for disabled retirees was based on 99% of the MP-2019 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.



## Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

Based on the 2021 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability (asset) from December 31, 2019, to December 31, 2020.

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	
Member other than State Troopers	3.20 - 11.30%
State Troopers <sup>1</sup>	3.20 - 12.40%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	1.00% compounded annually
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	
PERA benefit structure hired after 12/31/06 <sup>1</sup>	Financed by the AIR

<sup>1</sup> C.R.S. § 24-51-101 (46), as amended, expanded the definition of "State Troopers" to include certain employees within the LGDTF, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

<sup>2</sup> Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

## Soldier Canyon Water Treatment Authority

Notes to Financial Statements

December 31, 2023 and 2022

Post-retirement non-disabled mortality assumptions for Members were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 weighing the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

PERA's Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, PERA's Board reaffirmed the assumed rate of return at the PERA Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	54.00 %	5.60%
Fixed Income	23.00	1.30
Private Equity	8.50	7.10
Real Estate	8.50	4.40
Alternatives	6.00	4.70
Total	<u>100.00 %</u>	

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 nominal rate of return assumption of 7.25%.

# Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

## Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.25%. 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 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustment resulting from the 2018 automatic adjustment provision assessment, and the additional 0.50%, resulting from the 2020 automatic adjustment provision assessment, statutorily recognized July 1, 2021 and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service cost for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 automatic adjustment provision assessment, and additional 0.50%, resulting from 2020 automatic adjustment provision assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future amortization equalization disbursement and supplemental amortization equalization disbursement, until the actuarial value funding ratio reaches 103%, at which point the amortization equalization disbursement and supplemental amortization equalization disbursement will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the annual increase reserve and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The annual increase reserve balance was excluded from the initial fiduciary net position (FNP), as, per statute, annual increase reserve amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. Annual increase reserve transfers to the FNP and the subsequent annual increase reserve benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lower annual increase cap, from 1.25 to 1.00% resulting from 2020 AAP assessment, statutorily recognized July 1, 2021 and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

# Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

## Sensitivity of the Authority's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	2023		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net pension liability (asset)	\$ 3,795,488	\$ 2,260,903	\$ 976,202

  

	2022		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net pension liability (asset)	\$ 1,518,418	\$ (221,454)	\$ (1,676,780)

## Pension Plan Fiduciary Net Position

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

## 5. Other Postemployment Benefits

### Plan Description

Eligible employees of the Authority are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes, 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 PERA Care 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 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.

# Soldier Canyon Water Treatment Authority

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Notes to Financial Statements  
December 31, 2023 and 2022

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% 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.

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.

## **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% 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 Authority is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Authority were \$24,162 and \$20,365 for the years ended December 31, 2023 and 2022, respectively.

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

At December 31, 2023 and 2022, the Authority reported a liability of \$145,261 and \$172,901, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021 and 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2022 and 2021. The Authority's proportion of the net OPEB liability was based on the Authority's contributions to the HCTF for the calendar year 2022 and 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2023, the Authority's proportion was 0.017791%, which was a decrease of 0.002259 from its proportion measured as of December 31, 2022.

## Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

For the years ended December 31, 2023 and 2022 the Authority recognized OPEB expense of (\$54,905) and (\$175), respectively. At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 19	\$ 35,129
Changes of assumptions or other inputs	2,335	16,033
Net difference between projected and actual earnings on OPEB plan investments	8,872	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	30,577	-
Authority contributions subsequent to the measurement date	24,162	-
<b>Total</b>	<b>\$ 65,965</b>	<b>\$ 51,162</b>

The \$24,162 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 ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Years Ending December 31:</b>	<b>Amortization</b>
2024	\$ (9,008)
2025	(8,118)
2026	(1,196)
2027	5,414
2028	2,447
Thereafter	1,102
	<b>\$ (9,359)</b>

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 263	\$ 40,997
Changes of assumptions or other inputs	3,580	9,379
Net difference between projected and actual earnings on OPEB plan investments	-	10,703
Changes in proportion and differences between contributions recognized and proportionate share of contributions	24,409	-
Authority contributions subsequent to the measurement date	20,365	-
<b>Total</b>	<b>\$ 48,617</b>	<b>\$ 61,079</b>

# Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

## Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20 - 11.30%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medical Plans	6.50% in 2022, gradually decreasing to 4.50% in 2030
Medicare Part A premiums	3.75% in 2022, gradually increasing to 4.50% in 2029

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the following monthly costs/premiums are assumed for 2022 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members Without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured RX	\$ 630	\$ 230	\$ 591
Kaiser Permanente Medicare Advantage HMO	596	199	562

The 2022 Medicare Part A premium is \$499 (actual dollars) per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, 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  
December 31, 2023 and 2022

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

<u>Years</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2022	6.50%	3.75%
2023	6.25	4.00
2024	6.00	4.00
2025	5.75	4.00
2026	5.50	4.25
2027	5.25	4.25
2028	5.00	4.25
2029	4.75	4.50
2030+	4.50	4.50

Mortality assumptions used in the December 31, 2021 valuation for the State, School Division, Local Government Division and Judicial Divisions HCTF as shown below, reflect generational mortality and were applied, as applicable, in the December 31, 2021, valuation for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of these Division Trust Funds participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.



## Soldier Canyon Water Treatment Authority

Notes to Financial Statements

December 31, 2023 and 2022

The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2022 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020 meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 weighing the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	54.0%	5.6%
Fixed Income	23.0	1.3
Private Equity	8.5	7.1
Real Estate	8.5	4.4
Alternatives	6.0	4.7
Total	<u>100.0%</u>	

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 nominal rate of return assumption of 7.25%.

## Soldier Canyon Water Treatment Authority

Notes to Financial Statements  
December 31, 2023 and 2022

### 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 1-percentage-point lower or 1-percentage-point higher than the current rates:

<b>2023</b>	<b>1% Decrease</b>	<b>Current Trend Rates</b>	<b>1% Increase</b>
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 141,150	\$ 145,261	\$ 149,735

<b>2022</b>	<b>1% Decrease</b>	<b>Current Trend Rates</b>	<b>1% Increase</b>
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 167,935	\$ 172,901	\$ 178,653

### Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2022, and the financial status of the HCTF as of the prior measurement date (December 31, 2021). 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, 2022
- 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 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

# Soldier Canyon Water Treatment Authority

Notes to Financial Statements

December 31, 2023 and 2022

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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%. There was no change in the discount rate from the prior measurement date.

## 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%, 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 or 1-percentage-point higher than the current rate:

	2023		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net OPEB liability	\$ 168,401	\$ 145,261	\$ 125,470
	2022		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net OPEB liability	\$ 200,806	\$ 172,901	\$ 149,065

Detailed information about the HCTF's fiduciary net position is available in PERA's annual comprehensive financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

## 6. 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 CAFR 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).

# Soldier Canyon Water Treatment Authority

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Notes to Financial Statements  
December 31, 2023 and 2022

## 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% 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, 2023 and 2022 program members contributed \$80,565 and \$53,171 and the Authority recognized pension expense of \$19,161 and \$14,145 respectively, for the Voluntary Investment Program.

## 7. 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, 2022 (the most current audited financial statements) CSDPLP has total admitted assets of \$69,212,177, liabilities of \$45,329,704 and unassigned surplus of \$23,882,473. The liability amount includes no long-term debt. Total revenue for 2021 amounted to \$24,889,624, investment income of \$482,027 and total expenses were \$25,123,490 resulting in a net income of \$248,161. The amount of the District's share of these amounts is less than 1%.

## 8. Commitments and Contingencies

### Self-Insurance

The Authority is self-insured for property and liability insurance. As discussed in Note 7, 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.

No current claims are expected to be settled in a manner which would adversely affect the Authority.

## 9. 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.

## Soldier Canyon Water Treatment Authority

Notes to Financial Statements

December 31, 2023 and 2022

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

December 31:	<u>2023</u>	<u>2022</u>
<b>Operating Revenues:</b>		
Fort Collins/Loveland Water District	\$ 2,230,575	\$ 1,781,119
East Larimer County Water District	1,292,034	1,006,067
North Weld County Water District	<u>2,336,167</u>	<u>1,814,061</u>
Total operating revenues	<u>\$ 5,858,776</u>	<u>\$ 4,601,247</u>
December 31:	<u>2023</u>	<u>2022</u>
<b>Receivables, Participants:</b>		
Fort Collins/Loveland Water District	\$ 176,827	\$ 218,977
East Larimer County Water District	247,921	132,654
North Weld County Water District	<u>577,064</u>	<u>228,037</u>
Total receivables, participants	<u>\$ 1,001,812</u>	<u>\$ 579,768</u>

### 10. 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.

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.

### 11. Subsequent Events

The Authority evaluated subsequent events through February \_\_\_\_, 2024 the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Soldier Canyon Water Treatment Authority**

Schedule of the Authority's Proportionate Share of the Net Pension Liability (Asset)\*  
December 31, 2023

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Authority's proportion of the net pension liability (asset)	0.22551%	0.25829%	0.22916%	0.22676%	0.23174%	0.22899%	0.22465%
Authority's proportionate share of the net pension liability (asset)	\$ 2,260,903	\$ (221,454)	\$ 1,194,209	\$ 1,658,503	\$ 2,913,453	\$ 2,549,690	\$ 3,033,489
Authority's covered payroll	\$ 1,996,564	\$ 2,015,927	\$ 1,712,369	\$ 1,555,242	\$ 1,521,621	\$ 1,329,979	\$ 1,306,741
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	113.24%	10.99%	69.74%	106.64%	191.47%	191.71%	232.14%
Plan fiduciary net position as a percentage of the total pension	82.99%	101.49%	90.88%	86.30%	75.96%	79.37%	73.60%

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

*These schedules are presented to illustrate the requirements to show information for 10 years.*

*However, until a full 10-year trend is compiled, information is presented for those years for which information is available.*

See notes to required supplementary information

## Soldier Canyon Water Treatment Authority

Schedule of Authority Contributions - Pension\*

December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily Required Contribution	\$ 319,171	\$ 260,906	\$ 255,620	\$ 217,128	\$ 197,205	\$ 192,942	\$ 168,641
Contributions in Relation to the Statutorily Required Contribution	319,171	260,906	255,620	217,128	197,205	192,942	168,641
Contribution Deficiency (Excess)	-	-	-	-	-	-	-
Covered Payroll	2,368,809	1,996,564	2,015,927	1,712,369	1,555,242	1,521,621	1,329,979
Contributions as a Percentage of Covered Payroll	13.47%	13.07%	12.68%	12.68%	12.68%	12.68%	12.68%

*These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.*

*See notes to required supplementary information*



## Soldier Canyon Water Treatment Authority

Schedule of the Authority's Proportionate Share of the Net OPEB Liability\*

December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's proportion of the net OPEB liability	0.01779%	0.02005%	0.01748%	0.01737%	0.01797%	0.01779%	0.01724%
Authority's proportionate share of the net OPEB liability	\$ 145,261	\$ 172,901	\$ 166,146	\$ 195,206	\$ 244,508	\$ 231,250	\$ 208,847
Authority's covered, employee payroll	1,996,564	2,015,927	1,712,369	1,555,242	1,521,621	1,329,979	1,306,741
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	7.28%	8.58%	9.70%	12.55%	16.07%	17.39%	15.98%
Plan fiduciary net position as a percentage of the total OPEB liability	38.57%	39.40%	32.78%	24.49%	17.03%	17.53%	16.72%

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

*These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.*

See notes to required supplementary information

## Soldier Canyon Water Treatment Authority

Schedule of Authority Contributions - OPEB\*

December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily Required Contribution	\$ 24,162	\$ 20,365	\$ 20,562	\$ 17,466	\$ 15,863	\$ 15,521	\$ 13,566
Contributions in relation to the Statutorily Required Contribution	24,162	20,365	20,562	17,466	15,863	15,521	13,566
Contribution Deficiency (Excess)	-	-	-	-	-	-	-
Covered - Employee Payroll	\$ 2,368,809	\$ 1,996,564	\$ 2,015,927	\$ 1,712,369	\$ 1,555,242	\$ 1,521,621	\$ 1,329,979
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

*These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.*

See notes to required supplementary information

# **Soldier Canyon Water Treatment Authority**

Notes to Required Supplementary Information

Year Ended December 31, 2023

Significant changes in plan provisions, assumptions or other inputs affecting trends in actuarial information (measurement date)

Colorado PERA Local Government Division Trust Fund

## **2022 Changes in Plan Provisions, Assumptions or Other Inputs Since 2021**

HS 22-1029, effective upon enactment in 2022, requires the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars) with reductions to future direct distributions. The July 1, 2023, direct distribution will be reduced by \$190 million (actual dollars) to \$35 million (actual dollars) due to a negative investment return in 2022.

The total pension liability for the Local Government Division, as of the December 21, 2022, measurement date, was adjusted to reflect the disaffiliation, as allowable under C.R.S 24-51-313, of Tri-County Health Department (Tri-County Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of the December 31, 2022, measurement date.

## **2021 Changes in Plan Provisions, Assumptions or Other Inputs Since 2020**

Member contribution rates increased by 0.50%

Employer contribution rates increased by 0.50%

Annual increase (AI) cap is lowered from 1.25% per year to 1.00% per year

## **2020 Changes in Plan Provisions, Assumptions or Other Inputs Since 2019**

Price inflation assumption was lowered from 2.40% to 2.30%

Wage inflation assumption was lowered from 3.50% to 3.00%

Salary scale assumptions were altered to align with the revised economic assumptions and to better reflect actual experience.

Pre-retirement, post-retirement and disability mortality assumptions for active and retired lives were changed from static mortality tables represented by the RP-2014 Mortality tables, with adjustments for credibility and gender, to generational mortality tables represented by various tables presented in the Pub-2010 Public Retirement Plans Mortality Tables Report, projected using MP-2019 projection scale and adjusted for credibility and gender. In addition, a separate beneficiary mortality table was adopted. Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.

## **2019 Changes in Plan Provisions, Assumptions or Other Inputs Since 2018**

Senate Bill (SB) 18-200 was enacted on June 4, 2018, which included the adoption of the automatic adjustment provision (AAP). The following changes reflect the anticipated adjustments resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020:

Member contribution rates increase by 0.50%

Employer contribution rates increase by 0.50%

AI cap is lowered from 1.50% per year to 1.25% per year.

House Bill (HB) 19-1217, enacted May 20, 2019, repealed the member contribution increases scheduled for the Local Government Division pursuant to SB 18-200.

## **Soldier Canyon Water Treatment Authority**

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Notes to Required Supplementary Information

Year Ended December 31, 2023

### **2018 Changes in Plan Provisions, Assumptions or Other Inputs Since 2017**

Member contribution rates increase by 0.75% effective July 1, 2019, an additional 0.75% effective July 1, 2020 and an additional 0.50% effective July 1, 2021.

Annual Increase (AI) cap is lowered from 2.00% per year to 1.50% per year.

Initial AI waiting period is extended from one year after retirement to three years after retirement.

AI payments are suspended for 2018 and 2019.

The number of years used in the Highest Average Salary calculation for nonvested members as of January 1, 2020, increases from three to five years for the Local Government Division.

Colorado PERA Health Care Trust Fund

### **2021 Changes in Plan Provisions, Assumptions or Other Inputs Since 2020**

There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

### **2020 Changes in Plan Provisions, Assumptions or Other Inputs Since 2019**

Price inflation assumption was lowered from 2.40% to 2.30%

Wage inflation assumption was lowered from 3.50% to 3.00%

Salary scale assumptions were altered to align with the revised economic assumptions and to better reflect actual experience.

Pre-retirement, post-retirement and disability mortality assumptions for active and retired lives were changed from static mortality tables represented by the RP-2014 Mortality tables, with adjustments for credibility and gender, to a generational mortality tables represented by various tables presented in the Pub-2010 Public Retirement Plans Mortality Tables Report, projected using MP-2019 projection scale and adjusted for credibility and gender. In addition, a separate beneficiary mortality table was adopted.

Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.

Health care cost and trend assumptions were updated for December 31, 2019 funding valuation and reflected in the TOL as of the December 31, 2020 measurement date.

### **2019 Changes in Plan Provisions, Assumptions or Other Inputs Since 2018**

There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

### **2018 Changes in Plan Provisions, Assumptions or Other Inputs Since 2017**

There were no changes made to plan provisions, actuarial methods or assumptions, or other inputs that had a significant effect on trends in actuarial information.

## **SUPPLEMENTARY INFORMATION**

## Soldier Canyon Water Treatment Authority

Schedules of Revenues and Expenses - Budget and Actual (Budgetary Basis) (With Summarized Prior Year Information)  
 Years Ended December 31, 2023 and 2022

			<u>2023</u>		<u>2022</u>
	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts Budget Basis</u>	<u>Variances With Final Budget Positive (Negative)</u>	<u>Actual Amounts Budget Basis</u>
<b>Revenues and Contributions</b>					
Operating revenues:					
North Weld County Water District	\$ 2,435,204	\$ 2,435,204	\$ 2,336,167	\$ (99,037)	\$ 1,814,061
Fort Collins-Loveland Water District	2,381,565	2,381,565	2,230,575	(150,990)	1,781,119
East Larimer County Water District	1,342,300	1,342,300	1,292,034	(50,266)	1,006,067
Total operating revenues	6,159,069	6,159,069	5,858,776	(300,293)	4,601,247
Nonoperating revenue:					
Contributions from participants	2,004,000	2,004,000	2,003,997	(3)	1,770,732
Earnings on investments	250	250	62,751	62,501	20,574
Miscellaneous income	-	-	25,350	25,350	55,387
Total nonoperating revenues	2,004,250	2,004,250	2,092,098	87,848	1,846,693
Total revenues	8,163,319	8,163,319	7,950,874	(212,445)	6,447,940
<b>Expenditures</b>					
Operating and maintenance:					
Personnel	2,432,853	2,432,853	2,390,728	(42,125)	1,971,282
Employee benefits	808,977	808,977	638,668	(170,309)	(115,105)
Unemployment taxes	6,287	6,287	4,737	(1,550)	3,993
Payroll taxes	32,685	32,685	33,550	865	28,474
Source of supply	75,000	75,000	134,029	59,029	57,016
Chemicals	1,232,750	1,232,750	1,082,282	(150,468)	1,069,205
Supplies	108,100	108,100	78,324	(29,776)	100,840
Repairs	734,972	734,972	248,297	(486,675)	142,246
Telephone	9,800	9,800	9,273	(527)	12,380
Utilities, gas and electric	129,569	129,569	154,451	24,882	144,563
Water resources	115,200	115,200	303,844	188,644	240,468
Watershed expenses	41,321	41,321	14,644	(26,677)	14,223
Total operating and maintenance	5,727,514	5,727,514	5,092,827	(634,687)	3,669,585
<b>Administration and General</b>					
Insurance	200,000	200,000	190,305	(9,695)	167,582
Office supplies	35,042	35,042	22,367	(12,675)	23,460
Outside services	171,959	171,959	81,114	(90,845)	90,719
Publications	11,974	11,974	7,481	(4,493)	6,875
Directors' expenses	3,465	3,465	18,054	14,589	11,697
Total administration	422,440	422,440	319,321	(103,119)	300,333

## Soldier Canyon Water Treatment Authority

Schedules of Revenues and Expenses - Budget and Actual (Budgetary Basis) (With Summarized Prior Year Information)  
 Years Ended December 31, 2022 and 2021

			<u>2023</u>			<u>2022</u>	
	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts Budget Basis</u>	<u>Variances With Final Budget Positive (Negative)</u>			<u>Actual Amounts Budget Basis</u>
<b>Other</b>							
Capital asset acquisitions	\$ -	\$ -	\$ -	\$ -		\$ -	
Total other	-	-	-	-		-	
Total expenditures	6,149,954	6,149,954	5,412,148	(737,806)		3,969,918	
Excess (deficiency) of revenues over expenditures	<u>2,013,365</u>	<u>2,013,365</u>	2,538,726	<u>\$ (950,251)</u>		2,478,022	
Depreciation			<u>(3,186,166)</u>			<u>(3,037,842)</u>	
Change in net position			(647,440)			(559,820)	
<b>Net Position, Beginning</b>			<u>63,948,600</u>			<u>64,508,420</u>	
<b>Net position, Ending</b>			<u>\$ 63,301,160</u>			<u>\$ 63,948,600</u>	