FREMONT SANITATION DISTRICT

FINANCIAL STATEMENTS
December 31, 2015

Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
Fremont Sanitation District
Fremont County, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Fremont Sanitation District as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fremont Sanitation District as of December 31, 2015, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 the District adopted the standard of the Governmental Accounting Standards Board (GASB) No. 68 *Accounting and Financial Reporting for Pensions* for the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i – viii, and schedule of proportionate share of the net pension liability and the schedule of district contributions on pages 22 – 23, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was performed for the purpose of forming opinions on the financial statements and related notes to financial statements that collectively comprise the Fremont Sanitation District's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Logan and Associates, LLC

Aurora, Colorado
June 8, 2016

Fremont Sanitation District

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ANNUAL REPORT

YEAR ENDING DECEMBER 31, 2015

Overview of the Financial Statements

This annual report consists of the following parts: Management's Discussion and Analysis, Basic Financial Statements, and Supplementary Information. The Financial Statements include notes that explain in detail some of the information included in the basic financial statements.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2015

- Total Net Position, after accumulated depreciation expense decreased by $3,148,125.
- Depreciation expense was in the amount of $968,418.
- Total Liabilities increased by $2,323,040.
- There was a reduction in Long Term Debt of $486,344.
- Operating Revenues increased by $116,218.
- Operating Expenses increased by $1,170,742

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

Who We Are

Fremont Sanitation District is a "Quasi-Private Public Entity" formed under Colorado Special District's Laws. This means that we are a public body which is overseen by an elected Board of Directors, similar to a City and City Council. Unlike a City however, we operate as a non-profit business commonly referred to as an "enterprise fund". All of the people living or who own property within our boundaries are the "shareholders". All of our "shareholders" are eligible to vote on who is to sit on the Board of Directors. Only "shareholders" who live or own property within the District's boundaries are eligible to be elected to sit on the Board of Directors. The Board's primary responsibilities are to protect the public's health and its capital investment in treatment and collection systems, while meeting environmental protection laws.

We use the term shareholder here rather than citizen or customer, because "shareholder" more accurately depicts the working relationship between the Board of Directors and District employees on one hand with the citizen customer (shareholder) on the other. Therefore, they have a vested interest in the proper maintenance and operation of the system.

The District has approximately 173 miles of pipes and 2,697 manholes that make up the collection system. This system transports 1.5 billion gallons of wastewater to the treatment plant annually for treatment. Pipes range in size from 6-inch to 36-inch in diameter and are buried up to 40 feet in the ground.

As of December 31, 2015, we reported an increase of 26 new accounts which translates to 26 Equivalent Residential Units (ERU's). The District boundaries contain an estimated population (including inmates) of 36,000 people.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Statement of Net Position (page 1) includes information on the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statement of Revenues, Expenses and Changes in Fund Net Position (page 2) identifies the District's revenues and expenses for the fiscal year ended December 31, 2015. The third financial statement is the Statement of Cash Flows (page 3). This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments, capital and related financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and cash equivalent balances for the past fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT

When evaluating the financial condition of an entity the first thing to look at is the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. For 2015 the District's current assets (cash and equivalent) shows a decrease, while investments also show a decrease. Current Assets, which is considered to be an asset that consists of cash and other resources and is reasonably expected to be realized in cash or consumed within one year, decreased by $287,388. Total Assets, which is defined as the total resources owned by the District, decreased by $1,176,055. A large majority of total assets of the District resides within our system of pipelines, the Service Center and the Rainbow Park Regional Wastewater Treatment Plant. In order to maintain an acceptable accounting standard of reporting, the District annually makes an adjustment of "Accumulated Depreciation" for these types of assets. In 2015, the District had $968,418 in accumulated depreciation adjustments. As a rule of thumb if Current Assets and Total Assets are increasing, everything is probably fine. If Current or Total Liabilities begin to increase more than the Current or Total Assets accounts are, then further assessment is warranted.

Restatement – For the years ending December 31, 2014 and 2015, Fremont Sanitation District adopted GASB Statement 68. This statement required Fremont Sanitation District to record our proportionate share of the unfunded pension liability of the PERA pension plan. Fremont Sanitation District has no legal obligation to fund this shortfall nor does it have any ability to influence the fund, benefits, or annual required contributions made to PERA. Balances for the year ending December 31, 2014, were not restated because information was not available.

REVENUES

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

Condensed Statement of Revenues

Revenue Source	2014	2015	Change Gain/ (Loss)
Residential Customers	$2,867,734	$2,930,608	$ 62,874
Commercial Customers	$ 633,903	$ 652,222	$ 18,319
Institutional (Prisons)	$1,122,521	$1,129,382	$ 6,861
Capital Recovery	$ 142,327	$ 245,101	$ 102,774
Interest Income	$ 25,433	$ 24,763	($ 670)
Other Revenues	$ 204,101	$ 209,965	$ 5,864
Total Revenues	$4,996,019	$5,192,041	$ 196,022

Revenue for services increased by $85,278. Revenues from residential and commercial customers exceeded 2015 budget projections by 1%, while revenues from the Federal Correctional Facility and the Department of Corrections were approximately 1% below budget projections.

EXPENSES

Condensed Statement of Expenses

	2014	2015	Change Gain/(Loss)
Waste Transmission	$1,003,405	$2,040,433	$1,037,028
Treatment Plant	$1,598,404	$1,495,328	($ 103,076)
District Administration	$2,317,365	$2,541,171	$ 223,806
Total Expenses	$4,919,174	$6,076,932	$1,157,758

CAPITAL ASSETS

As of December 31, 2015, the District had capital assets of $16,165,133. The District received $45,101 in System Development Fees during Budget Year 2015. In addition to the assets listed, the District has many miles of sanitary sewer mains, which while being fully depreciated are still operating and providing an economic benefit to the District.

Condensed Statement of Net Position

	2014	2015	Change Gain/(Loss)
Cash and Other Assets	$ 7,660,903	$ 7,372,912	($ 287,991)
Capital Assets	$17,053,197	$16,165,133	($ 888,064)
Total Assets	$24,714,100	$23,538,045	($1,176,055)
Deferred Outflows of Resources		$ 351,518	$ 351,518
Outstanding Long Term Debt	$3,142,085	$5,352,269	$2,210,184
Current Liabilities	$1,206,195	$1,319,051	$ 112,856
Total Liabilities	$4,348,280	$6,671,320	$2,323,040
Deferred Inflows of Resources		$ 548	$ 548
Net Position			
Net Investment in Capital Assets	$13,406,572	$13,022,144	($ 384,428)
Restricted	$ 149,900	$ 143,400	($ 6,500)
Unrestricted	$ 6,809,348	$ 4,052,151	($2,757,197)
Total Net Position	$20,365,820	$17,217,695	($3,148,125)

LONG-TERM DEBT

As of December 31, 2015, the District had $3,142,989 in outstanding debt principal. This amount represents a reduction in the amount of $503,636 as the result of payments during 2015. Of this outstanding debt principal amount, $999,701 is for debt incurred to provide sanitary sewer service, to (2) Local Improvement Districts (LID). Those "LIDS'' are responsible for funding the semi-annual debt retirement payments. Monthly fees are collected from accounts within these areas in addition to the standard monthly fee the Fremont Sanitation District charges all of its customers. These are 40 year notes with varying ending dates. The remaining amount of debt is for work performed at the Treatment Plant and construction of the District's Service

Center. This debt was a 20 year bond with an end date of August 2019. The District has made certain covenants related to these bonds which are discussed in Note 6 on pages 11-13 of these financial statements.

Condensed Schedule of Revenues-Expenses Budget and Actual – Budgetary Bases

	Budget Original 2015	Actual 2015
Revenues	$4,999,388	$5,297,812
Expenses	$5,812,001	$5,688,210

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The District's Board of Directors adopted the 2016 Budget on December 15, 2015. The adopted budget contained a 2% rate increase for 2016.

The slow economy has significantly reduced housing and business starts during the previous three years and this trend is expected to continue throughout 2016. In such, Residential and Commercial System Development Fees have been modestly estimated at $30,000 and $5,000 respectively for the 2016 Budget.

Five Year Projection

The presence of Hydrogen Sulfide gas in the District's collection system is an ongoing issue that has resulted in deterioration of piping within the collection system, specifically in the interceptor piping. Low levels of hydrogen sulfide gas in the collection system can result in the production of odors that may be detected by residents living near major sewer mains. At higher levels hydrogen sulfide gas within the collection system can lead to the generation of sulfuric acid which is highly corrosive to concrete mains and manholes. In 2009, the District rehabilitated a section of concrete interceptor sewer main that was damaged by the presence of sulfuric acid and additional sections were rehabilitated in 2012, 2013 and 2015. The District has received an Energy and Mineral Impact Grant from DOLA in the amount of $1,000,000. The District is required to match the Grant which will result in a $2,000,000 interceptor rehabilitation project that will begin in mid-2016and extend into early 2017. It is anticipated that additional rehabilitation projects will extend over several budget years.

While not specifically within the next five years, the District nonetheless will need to begin financial planning for potential wastewater treatment plant expansions, that would be required if flow or organic loading reach 80% of design capacity. Currently, the treatment plant operates at approximately 56% of flow design capacity (based on average daily flows) and approximately 45% of organic load design capacity (based on average daily loading of BOD). It was originally projected that 80% of design capacity for flow would be reached in 2018, but given the current economic slow-down and its affect on new construction, it is reasonable to expect this anticipated date to be later than originally anticipated. Additionally, plant upgrades may be required to meet additional nutrient removal standards that may be imposed at Permit renewal in 2020.

Anyone having questions or comments regarding anything in this Audit Report should address them to the District's Board of Directors, at 107 Berry Parkway, Canon City, CO 81212. Comments can be made by phone at (719)269-9050, or by email at info@fsd.co.

BASIC FINANCIAL STATEMENTS

FREMONT SANITATION DISTRICT

STATEMENT OF NET POSITION
December 31, 2015

	BUSINESS-TYPE ACTIVITIES
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 2,054,982
Investments	157,369
Restricted Cash and Cash Equivalents	1,844,739
Restricted Investments	2,621,764
Accounts Receivable	578,932
Grants Receivable	21,513
Notes Receivable, Current Portion	588
Prepaid Insurance	10,719
Inventory	74,718
Total Current Assets	7,365,324
Noncurrent Assets	
Notes Receivable, Long-term	1,162
Loan Savings Receivable	6,426
Total Noncurrent Assets	7,588
Capital Assets	
Capital Assets, Not Being Depreciated	1,055,901
Capital Assets, Net of Accumulated Depreciation	15,109,232
Total Capital Assets	16,165,133
TOTAL ASSETS	23,538,045
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	351,518
LIABILITIES	
Current Liabilities	
Accounts Payable	101,778
Accrued Salaries, Wages and Related Liabilities	74,251
Deferred Revenue - Service Charges	436,186
Accrued Interest Payable	49,366
Loans and Bonds Payable, Current Portion	521,609
Compensated Absences Payable - Current Portion	135,861
Total Current Liabilities	1,319,051
Noncurrent Liabilities	
Loans and Bonds Payable, Net of Bond Discount	2,621,380
Net Pension Liability	2,730,889
Total Noncurrent Liabilities	5,352,269
TOTAL LIABILITIES	6,671,320
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	548
NET POSITION	
Net Investment in Capital Assets	13,022,144
Restricted for Emergency Reserve	143,400
Unrestricted	4,052,151
TOTAL NET POSITION	$ 17,217,695

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

FREMONT SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2015

	BUSINESS-TYPE ACTIVITIES
OPERATING REVENUES	
Charges for Services	$ 4,858,598
Miscellaneous	63,579
TOTAL OPERATING REVENUES	4,922,177
OPERATING EXPENSES	
Waste Collection	501,772
Waste Transmission	1,538,661
Wastewater Treatment, Pretreatment and Laboratory	964,274
Solids Processing	139,206
Engineering	391,848
Administration	
Buildings and Grounds	
Plant	429,366
Service Center	108,807
Finance	399,601
Information Technology	269,333
Management and General	202,578
Depreciation	968,418
TOTAL OPERATING EXPENSES	5,913,864
OPERATING INCOME (LOSS)	(991,687)
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	24,763
Interest Expense	(161,706)
Gain (Loss) on Disposal	(1,362)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(138,305)
INCOME BEFORE CAPITAL CONTRIBUTIONS	(1,129,992)
CAPITAL CONTRIBUTIONS	
Capital Grants	200,000
System Development Fees	45,101
TOTAL CAPITAL CONTRIBUTIONS	245,101
CHANGE IN NET POSITION	(884,891)
NET POSITION, Beginning, As Restated	18,102,586
NET POSITION, Ending	$ 17,217,695

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

FREMONT SANITATION DISTRICT

STATEMENT OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2015

	BUSINESS-TYPE ACTIVITIES
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 5,032,790
Miscellaneous Receipts	63,579
Cash Payments to Employees	(2,463,205)
Cash Payments to Suppliers	(2,385,095)
Net Cash Provided by Operating Activities	248,069
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash Received from Notes Receivable	574
Acquisition of Capital Assets	(81,716)
Principal Paid	(504,301)
Interest and Fiscal Charges Paid	(171,009)
Cash Received from Capital Grants	209,885
System Development Fees Received	45,101
Net Cash Used by Capital and Related Financing Activities	(501,466)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Investment Activity	(17,213)
Interest Received	24,763
Net Cash Provided by Investing Activities	7,550
Decrease in Cash and Cash Equivalents	(245,847)
CASH AND CASH EQUIVALENTS, Beginning	4,145,568
CASH AND CASH EQUIVALENTS, Ending	$ 3,899,721
SUMMARY OF CASH AND CASH EQUIVALENTS	
Cash and Cash Equivalents	$ 2,054,982
Restricted Cash and Cash Equivalents	1,844,739
Total Cash and Cash Equivalents	$ 3,899,721
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	$ (991,687)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	968,418
Net Change in Deferred Outflows and Inflows Related to Pensions	116,685
Changes in Assets and Liabilities	
Accounts Receivable	68,421
Prepaid Insurance	(10,719)
Inventory	(8,804)
Accounts Payable	(42,183)
Accrued Salaries and Benefits	24,915
Deferred Revenues - Customer Service Charges	105,771
Compensated Absences Payable	17,252
Net Cash Provided by Operating Activities	$ 248,069

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District adopted GASB statement No. 68 *Accounting and Financial Reporting for Pensions* (Statement No. 68), for the year ended December 31, 2015. Adoption of this statement revised and established new reporting requirements for pension benefits provided by the District to its employees (See NOTE 11). Following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the District does not include additional organizations in its reporting entity.

Fund Accounting

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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

Assets, Liabilities and Net Position

Cash Equivalents and Investments - Cash equivalents include cash deposits and highly liquid investments with original maturities of three months or less when purchased. Certificate of deposits with original maturities greater than three months when purchased are reported as investments. Investments are reported at fair value.

Receivables - All receivables are reported at their gross value. An allowance for uncollectible accounts is not reported because the uncollectible amounts were determined to be immaterial by management.

Inventory – Inventory is valued at cost using the first-in, first-out method. The cost of inventory is record as expense when consumed rather than when purchased.

Capital Assets - Capital assets, which include land, rights of way, water rights, sewer transmission system, treatment plant, buildings and equipment are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. All infrastructure assets owned by the District, which include sewer collection and transmission systems, have been capitalized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Buildings, Transmission System and Treatment Plant	20 - 50 years
Improvements	10 - 25 years
Equipment	3 - 30 years

Deferred Revenue – Service Charges – Deferred revenues arise when resources are received by the District before it has a legal claim to them. Certain District billing cycles include billings for services to be provided in January, February and March of the following year are reported as deferred revenue in the financial statements.

Compensated Absences - Employees of the District are allowed to accumulate unused vacation time and sick leave. Employees will be paid for all accrued vacation time upon separation of employment subject to restrictions set forth in the District's policy manual. Employees in good standing after 10 years of service will be paid for unused sick leave up to a maximum of 360 hours at 50% of the current pay rate. These compensated absences are recognized as current salary costs when earned. Management has determined that the accrued compensated absences balances are due within one year. A current liability is reported in the financial statements for the accrued compensated absences.

Long-Term Obligations – Long-term debt and other long-term obligations are reported at face value, net of unamortized debt premiums and discounts, as liabilities in the financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The District has items related to pensions that are reported as deferred outflows of resources at December 31, 2015.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has an item related to pensions that is reported as deferred inflows of resources at December 31, 2015.

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

- Net Investment in Capital Assets – The net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the long-term debt issued to acquire, construct, or improve the related capital assets. The long-term debt attributable to the unspent long-term debt proceeds at the end of the year is excluded from the calculation. Instead it is included in the same net position component as the unspent proceeds.

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Unrestricted – This classification includes the residual net position that does not meet the classification of "net investment in capital assets" or "restricted."

Pensions

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2015 through June 8, 2016, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

Concentration of Customer Risk

The District receives approximately 28% of its sewer service revenues from two customers, Colorado Department of Corrections and Federal Correction Center. The loss of this revenue, if it were to occur could significantly affect the District's operations. District management does not expect the relationship with the two customers to change in the near future.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In October, management 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.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments within the fund. However, any revisions that alter the total expenditures of the fund must be approved by the Board of Directors.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets and Budgetary Accounting

- The budget is legally adopted by the District. The budget is adopted on a non-GAAP budgetary basis. Capital outlay and long-term debt principal payments are budgeted as expenditures, and depreciation, and amortization of debt issue costs are not budgeted. Deferred revenues are reported as revenue for budgetary presentation.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2015, follows:

Petty Cash	$ 506
Cash Deposits	6,678,348
Total	$ 6,678,854

Cash and Investments are reported in the financial statements as follows:

Cash and Cash Equivalents	$ 2,054,982
Investments	157,369
Restricted Cash and Cash Equivalents	1,844,739
Restricted Investments	2,621,764
Total	$ 6,678,854

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to $250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2015, the District had deposits totaling $6,684,924 of which $5,189,924, were collateralized with securities held by the financial institutions' agents but not in their name.

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following. State statute does not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. District management limits the weighted average of maturity of its portfolios to no more than three years.

Restricted Cash and Investments

Restricted cash and investments consist of amounts for operating and maintenance reserves, and debt service reserves as required by the District's loans and revenue bonds.

NOTE 4: NOTES RECEIVALBE

Prior to 2008, the District expanded its service lines in Florence, Colorado. In order for homeowners to connect onto the service line an assessment of $2,098 per connection was made. The assessment charges are in the nature of notes receivable, which are collateralized and attached to the respective properties. The notes are for a period of 30 years, at 5% simple interest, and payable monthly, maturing in April 2024. Notes receivable balances at December 31, 2015 totaled $1,750, with the current portion due of $588.

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015, is summarized below:

	Balances 12/31/2014	Additions	Deletions	Reclassifications	Balances 12/31/2015
Capital Assets, not being depreciated					
Land, Rights of Way and Water Rights	$ 1,050,944	$ -	$ -	$ -	$ 1,050,944
Construction in Progress	173,321	4,957	173,321	-	4,957
Total Capital Assets, not being depreciated	1,224,265	4,957	173,321	-	1,055,901
Capital Assets, being depreciated					
Transmission System	23,929,803	25,712	17,277	130,266	24,068,504
Treatment Plant	13,569,395	-	16,430	237,553	13,790,518
Buildings and Improvements	5,438,619	-	-	(134,072)	5,304,547
Transportation Equipment	392,622	-	-	-	392,622
Equipment	1,782,561	224,368	5,400	(233,747)	1,767,782
Total Capital Assets, being depreciated	45,113,000	250,080	39,107	-	45,323,973
Less accumulated depreciation					
Transmission System	(12,071,455)	(634,225)	(15,915)	(681,612)	(13,371,377)
Treatment Plant	(11,397,354)	(102,721)	(21,830)	(2,060,503)	(13,538,748)
Buildings and Improvements	(4,293,111)	(178,663)	-	1,812,761	(2,659,013)
Transportation Equipment	(378,551)	(4,330)	-	-	(382,881)
Equipment	(1,143,597)	(48,479)	-	929,354	(262,722)
Total accumulated depreciation	(29,284,068)	(968,418)	(37,745)	-	(30,214,741)
Total Capital Assets, being depreciated, net	15,828,932	(718,338)	1,362	-	15,109,232
Total Capital Assets, net	$ 17,053,197	$ (713,381)	$ 174,683	$ -	$ 16,165,133

NOTE 6: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2015:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015	Due Within One Year
1999 CWRPDA Loan	$ 2,630,198	$ -	$ 483,098	$ 2,147,100	$ 499,202
Revenue Bonds, Series 1999A	578,908	-	13,331	565,577	13,919
Revenue Bonds, Series 2003A	441,996	-	7,872	434,124	8,488
Bond Discount	(4,477)	-	(665)	(3,812)	-
	4,133,202	-	503,636	3,142,989	521,609
Compensated Absences Payable	118,609	17,252	-	135,861	135,861
Total	$ 4,234,308	$ 17,252	$ 503,636	$ 3,278,850	$ 657,470

NOTE 6: LONG-TERM DEBT (Continued)

1999 Loan from the Colorado Water Resources and Power Development Authority obtained to finance a portion of the cost of the wastewater treatment facility. Principal and interest payments are due semi-annually on February 1 and August 1, through August 1, 2019. Interest accrues at 4.2% per annum.

1999A Wastewater Enterprise Revenue Bonds were issued to finance the construction of sanitary sewer improvements in the Fremont County Sanitary Sewer Line Extension LID No. 1997-1. Principal and interest payments are due semi-annually on May 19 and November 19, through May 19, 2039. Interest accrues at 4.5% per annum.

2003A Wastewater Enterprise Revenue Bonds were issued to finance the construction of sanitary sewer improvements in the Fremont County Four Mile Area Sewer Line Extension LID No. 2001-1. Principal and interest payments are due semi-annually on May 19 and November 19, through May 19, 2043. Interest accrues at 4.5% per annum.

Pledged Revenues - These loans and revenue bonds are payable solely from revenues of the District's sewer system after deducting operating and maintenance costs, excluding depreciation. During the year ended December 31, 2015, net revenues of $360,556 was available to pay the respective annual debt service of $666,007.

Restricted Covenants – The CWRPDA loan covenants require the District to maintain a cash reserve equal to three months of operating and maintenance expenses, excluding depreciation of the system, not to exceed $1,250,000.

The Wastewater Enterprise Revenue Bonds covenants require the District to maintain cash reserves for the related current and future debt service.

NOTE 6: LONG-TERM DEBT (Continued)

Annual debt service requirements for the outstanding loans and revenue bonds at December 21, 2015 are as follows:

Year Ended December 31	Principal	Interest	Total
2016	$ 521,333	$ 155,765	$ 677,098
2017	538,443	139,928	678,371
2018	571,702	107,345	679,047
2019	610,377	65,845	676,222
2020	26,444	40,410	66,854
2021 - 2025	151,402	182,868	334,270
2026 - 2030	189,132	145,138	334,270
2031 - 2035	236,264	98,006	334,270
2036 - 2040	236,140	40,412	276,552
2041 - 2043	65,564	4,530	70,094
	$ 3,146,801	$ 980,247	$ 4,127,048

NOTE 7: RETIREMENT COMMITMENTS

Multiple-Employer Defined Benefit Pension Plan

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

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

NOTE 7: RETIREMENT COMMITMENTS (Continued)

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.

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.

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

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

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

NOTE 7: RETIREMENT COMMITMENTS (Continued)

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

	(1)
Employer Contribution Rate	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-1411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-1411	1.50%
Total Employer Contribution Rate to the SCHDTF	12.68%

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were $216,399 for the year ended December 31, 2015.

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

At December 31, 2015 the District reported a liability of $2,730,889 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2014, the District's proportion was .304682%, which was an increase of .00393% from its proportion measured as of December 31, 2013. For the year ended December 31, 2015, the District recognized pension expense of $333,084.

NOTE 7: RETIREMENT COMMITMENTS (Continued)

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 548
Net difference between projected and actual earnings on pension plan investments	111,505	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	23,614	-
Contributions subsequent to the measurement date	216,399	-
Total	$ 351,518	$ 548

$216,399 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2016	$ 45,655
2017	45,771
2018	43,145

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation:	2.80%
Real wage growth:	1.10%
Wage inflation:	3.90%
Salary increases, including wage inflation:	3.90% – 10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation:	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07:	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic):	Financed by the Annual Increase Reserve

NOTE 7: RETIREMENT COMMITMENTS (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

NOTE 7: RETIREMENT COMMITMENTS (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of Net Pension Liability	$ 4,459,842	$ 2,730,889	$ 1,289,449

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

Defined Contribution Pension Plan

Plan Description Employees of the District who are members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14, of the CRS, as amended, assigns the authority to establish the Plan provision to the PERA Board of Trustees. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy The Voluntary Investment Program is funded by voluntary contributions of up to a maximum limit set by the IRS, as established under Title 24, Article 51, Section 1402, of the CRS, as amended. The District does not make contributions to the 401(k) Plan. For the year ended December 31, 2015, program members contributed $36,814.

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment health care plan administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. For the years ending December 31, 2015, 2014 and 2013, the District's contributions to the HCTF were $17,407, $17,025 and $16,260, respectively, equal to their required contributions for each year.

NOTE 9: RISK MANAGEMENT

Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The District plans to provide for or restore the economic damages of those losses through risk transfer. The District participates in the Colorado Special Districts Property and Liability Pool and Workmen's Compensation Pool (the "Pool").

The purposes of the Pool are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

NOTE 9: RISK MANAGEMENT (Continued)

Public Entity Risk Pool (Continued)

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs.

All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District has made certain interpretations of the Amendment's language in order to determine compliance. The District's management believes a significant portion of its operations qualifies for the "enterprise" exclusion allowed by the Amendment. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending, as required by the Amendment. At December 31, 2015, the emergency reserve of $143,400, was reported as a restriction of net position in the statement of net position.

NOTE 11: CHANGE IN ACCOUNTING PRINICIPLE

The District participates in the cost-sharing multiple-employer defined benefit pension plan administered by PERA (NOTE 7). As discussed in NOTE 1, the District adopted Statement No. 68 for the year ended December 31, 2015. Statement No. 68 requires the District to record their proportionate share of the unfunded pension liability of the pension plan. The District has no legal obligation to fund this shortfall nor does it have any ability to influence the funding, benefits or annual required contribution made by PERA.

The District has restated beginning net position of the financial statements, by decreasing the amount as of January 1, 2015 by $2,263,234.

Beginning Net Position, as previously reported at January 1, 2015	$ 20,365,820
GASB Statement No. 68 Implementation:	
Deferred Outflows of Resources – District contributions made January 1, 2014 through December 31, 2014	211,695
Net Pension Liability, at December 31, 2014 (measurement date)	(2,474,929)
Net Position, January 1, 2015, as Restated	$ 18,102,586

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT SANITATION DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA Pension Plan
Last Ten Years*

	2014	2013
Proportion of the Net Pension Liability (Asset)	0.30468%	0.30075%
Proportionate Share of the Net Pension Liability (Asset)	$ 2,730,889	$ 2,474,929
Covered Employee Payroll	$ 1,669,095	$ 1,594,155
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	163.61%	155.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.72%	77.66%
Total Pension Liability	$ 4,647,777,000	$ 4,517,239,000
Plan Fiduciary Net Position	3,751,468,000	3,508,312,000
Net Pension Liability	896,309,000	1,008,927,000

* - The amounts presented for each fiscal year were determined as of the Plan measurement date, 12/31.

NOTE: Information for the prior eight years was not available to report.

FREMONT SANITATION DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA Pension Plan
Last Ten Fiscal Years

	2015	2014
Contractually Required Contribution	$ 216,399	$ 211,695
Contributions in Relation to the Contractually Required Contribution	216,399	211,695
Contribution Deficiency (Excess)	$ -	$ -
Covered employee payroll	$ 1,706,616	$ 1,669,095
Contributions as a Percentage of Covered Employee Payroll	12.68%	12.68%

NOTE: Information for the prior eight years was not available to report.

See the accompanying Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

FREMONT SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS
Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Operating			
Sewer Service Charges	$ 4,865,595	$ 4,964,369	$ 98,774
Miscellaneous	17,210	63,579	46,369
Non-Operating			
Capital Grants	60,000	200,000	140,000
Investment Income	21,583	24,763	3,180
System Development Fees	35,000	45,101	10,101
TOTAL REVENUES	4,999,388	5,297,812	298,424
EXPENDITURES			
Plant Operations			
Construction			
Personnel Services	359,630	344,631	14,999
Operating Expenses	89,512	74,712	14,800
Capital Outlay	229,642	113,099	116,543
Total Construction	678,784	532,442	146,342
Transmission			
Personnel Services	389,187	450,191	(61,004)
Operating Expenses	913,393	1,088,470	(175,077)
Capital Outlay	-	-	-
Total Transmission	1,302,580	1,538,661	(236,081)
Treatment Plant			
Personnel Services	582,937	634,443	(51,506)
Operating Expenses	148,759	123,833	24,926
Capital Outlay	-	-	-
Total Treatment Plant	731,696	758,276	(26,580)
Solids Processing			
Operating Expenses	110,376	139,206	(28,830)
Capital Outlay	-	-	-
Total Solids Processing	110,376	139,206	(28,830)
Laboratory			
Personnel Services	70,760	74,914	(4,154)
Operating Expenses	37,175	28,867	8,308
Total Laboratory	107,935	103,781	4,154
Pretreatment			
Personnel Services	83,757	86,152	(2,395)
Operating Expenses	37,336	16,065	21,271
Total Pretreatment	$ 121,093	$ 102,217	$ 18,876

(Continued)

See the accompanying Independent Auditor's Report.

FREMONT SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS
Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
EXPENDITURES (Continued)			
Plant Operations (Continued)			
Engineering			
Personnel Services	$ 359,178	$ 379,224	$ (20,046)
Operating Expenses	18,290	12,624	5,666
Total Engineering	377,468	391,848	(14,380)
Total Plant Operations	3,429,932	3,566,431	(136,499)
Administration			
Buildings and Grounds - Plant			
Personnel Services	10,429	13,409	(2,980)
Operating Expenses	521,151	415,957	105,194
Capital Outlay	-	-	-
Total Building and Grounds - Plant	531,580	429,366	102,214
Buildings and Grounds - Service Center			
Personnel Services	50,450	51,775	(1,325)
Operating Expenses	68,019	57,032	10,987
Capital Outlay	12,000	-	12,000
Total Buildings and Grounds - Service Center	130,469	108,807	21,662
Board Services			
Personnel Services	12,988	11,535	1,453
Operating Expenses	8,024	9,747	(1,723)
Total Board Services	21,012	21,282	(270)
Finance			
Personnel Services	297,665	316,900	(19,235)
Operating Expenses	84,583	82,701	1,882
Capital Outlay	-	-	-
Total Finance	382,248	399,601	(17,353)
District Management			
Personnel Services	148,494	161,371	(12,877)
Operating Expenses	98,219	19,925	78,294
Total District Management	246,713	181,296	65,417
Information Technology			
Personnel Services	91,101	97,512	(6,411)
Operating Expenses	171,865	171,821	44
Capital Outlay	85,514	51,046	34,468
Total Information Technology	348,480	320,379	28,101
Total Administration	1,660,502	1,460,731	199,771

(Continued)

See the accompanying Independent Auditor's Report.

FREMONT SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS
Year Ended December 31, 2015

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
Debt Service			
Principal Payments	$ 533,643	$ 504,301	$ 29,342
Interest and Fiscal Charges	187,924	161,706	26,218
Total Debt Service	721,567	666,007	55,560
TOTAL EXPENDITURES	5,812,001	5,693,169	118,832
CHANGE IN NET POSITION, Budgetary Basis	$ (812,613)	(395,357)	$ 417,256
ADJUSTMENTS TO GAAP BASIS			
Deferred Revenue - Sewer Service Charges - 2014		330,415	
Deferred Revenue - Sewer Service Charges - 2015		(436,186)	
Capital Outlay		81,716	
Depreciation		(968,418)	
Principal Payments on Long-term Debt		504,301	
Gain (Loss) on Disposal of Capital Assets		(1,362)	
CHANGE IN NET POSITION, GAAP Basis		(884,891)	
NET POSITION, Beginning		18,102,586	
NET POSITION, Ending		$ 17,217,695	

See the accompanying Independent Auditor's Report.