FREMONT SANITATION DISTRICT

FINANCIAL STATEMENTS
December 31, 2016

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, 2016, 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, 2016, 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.

Other Matters

Comparative Financial Information
The comparative financial information for the prior year has been presented in the accompanying financial statements in order to provide an analysis of changes in the District's financial position and operations. However, complete comparative financial information has not been presented in accordance with generally accepted accounting principles since its inclusion would make the financial statements cumbersome and difficult to read. The comparative financial information for the year ended December 31, 2015, by which a report dated June 8, 2016, expressed an unmodified opinion.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i – viii, and schedule of proportionate share of the net pension liability and the schedule of district contributions on pages 23 – 24, 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
April 26, 2017

Fremont Sanitation District

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ANNUAL REPORT

YEAR ENDING DECEMBER 31, 2016

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 2016

- Total Net Position, after accumulated depreciation expense increased by $919,663.
- Depreciation expense was in the amount of $943,210.
- Total Liabilities increased by $685,897.
- There was a reduction in Long Term Debt of $542,717.
- Operating Revenues increased by $395,511.
- Operating Expenses decreased by $484,939

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 175.43 miles of pipes and 2,709 manholes that make up the collection system. This system transports 1.467 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, 2016, we reported an increase of 36 new accounts which translates to 36 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, 2016. 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 2016 the District's current assets (cash and equivalent) shows an increase, while investments also show an increase. Current Assets, which is considered to be an asset that consists of cash and other resources and is reasonably expected to be realized in cash or consumed within one year, increased by $85,419. Total Assets, which is defined as the total resources owned by the District, increased by $1,283,969. 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 2016, the District had $943,210 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.

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	2015	2016	Change Gain/ (Loss)
Residential Customers	$2,930,608	$2,996,725	$ 66,117
Commercial Customers	$ 652,222	$ 686,454	$ 34,232
Institutional (Prisons)	$1,129,382	$1,172,283	$ 42,901
Capital Recovery	$ 245,101	$1,148,760	$ 903,659
Interest Income	$ 24,763	$ 28,104	$ 3,341
Other Revenues	$ 209,965	$ 462,350	$ 252,385
Total Revenues	$5,192,041	$6,494,676	$1,302,635

Revenue for services increased by $143,250. Revenues from residential and commercial customers exceeded 2016 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

	2015	2016	Change Gain/(Loss)
Waste Transmission	$2,040,433	$1,141,911	($ 898,522)
Treatment Plant	$1,495,328	$1,499,443	$ 4,115
District Administration	$2,541,171	$2,933,535	$ 392,364
Total Expenses	$6,076,932	$5,574,889	$ 502,043

CAPITAL ASSETS

As of December 31, 2016, the District had capital assets of $17,364,313. The District received $148,760 in System Development Fees during Budget Year 2016. 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

	2015	2016	Change Gain/(Loss)
Cash and Other Assets	$ 7,372,912	$ 7,457,701	$ 84,789
Capital Assets	$16,165,133	$17,364,313	$1,199,180
Total Assets	$23,538,045	$24,822,014	$1,283,969
Deferred Outflows of Resources	$ 351,518	$ 684,413	$ 332,895
Outstanding Long Term Debt	$5,352,269	$5,393,950	$ 41,681
Current Liabilities	$1,319,051	$1,963,267	$ 644,216
Total Liabilities	$6,671,320	$7,357,217	$ 685,897
Deferred Inflows of Resources	$ 548	$ 11,852	$ 11,304
Net Position			
Net Investment in Capital Assets	$13,022,144	$14,742,036	$1,719,892
Restricted	$ 143,400	$ 170,000	$ 26,600
Unrestricted	$ 4,052,151	$ 3,225,322	($ 826,829)
Total Net Position	$17,217,695	$18,137,358	$ 919,663

LONG-TERM DEBT

As of December 31, 2016, the District had $2,622,277 in outstanding debt principal. This amount represents a reduction in the amount of $520,712 as the result of payments during 2016. Of this outstanding debt principal amount, $977,525 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 2016	Actual 2016
Revenues	$7,084,448	$6,494,677
Expenses	$7,084,448	$5,575,015

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The District's Board of Directors adopted the 2017 Budget on December 20, 2016. The adopted budget contained a 2% rate increase for 2017.

Residential and Commercial System Development Fees have been estimated at $67,500 and $80,450 respectively for the 2017 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 started rehabilitation of the concrete interceptor sewer main and manholes that had been damaged by the presence of sulfuric acid. Additional sections were rehabilitated in 2012, 2013, 2015 and 2016, and to date 27,665 feet of interceptor main and 32 manholes have been rehabilitated. Remaining to be rehabilitated is approximately 5,425 feet of 36 inch interceptor main and 65 manholes. The cost to complete the interceptor rehabilitation is estimated at $1.4 million.

Currently, the District is meeting new discharge limits that were included in our Permit issued in January 2015. Limits for the discharge of Total Phosphorus and Total Inorganic Nitrogen were added in the 2015 Permit and if limits for these two nutrients are lowered in the next permit cycle in 2020, the District will most likely need to install additional treatment methods to meet the potential new limits.

District Staff has developed a 5 year Capital Improvement Plan (CIP) that assess the life expectancy/replacement schedule for facilities, equipment, machinery and vehicles. The CIP will be utilized in the annual Budget preparation process.

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.

"PRESERVING AND PROTECTING THE AREA HEALTH AND ENVIRONMENT WHILE MEETING THE DEMANDS OF A GROWING COMMUNITY"

BASIC FINANCIAL STATEMENTS

FREMONT SANITATION DISTRICT

STATEMENT OF NET POSITION
December 31, 2016

	BUSINESS-TYPE ACTIVITIES 2016	BUSINESS-TYPE ACTIVITIES 2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,804,170	$ 2,054,982
Investments	177,535	157,369
Restricted Cash and Cash Equivalents	1,526,789	1,844,739
Restricted Investments	2,621,763	2,621,764
Accounts Receivable	605,771	578,932
Grants Receivable	657,013	21,513
Notes Receivable, Current Portion	618	588
Prepaid Insurance	-	10,719
Inventory	57,084	74,718
Total Current Assets	7,450,743	7,365,324
Noncurrent Assets		
Notes Receivable, Long-term	532	1,162
Loan Savings Receivable	6,426	6,426
Total Noncurrent Assets	6,958	7,588
Capital Assets		
Capital Assets, Not Being Depreciated	1,056,167	1,055,901
Capital Assets, Net of Accumulated Depreciation	16,308,146	15,109,232
Total Capital Assets	17,364,313	16,165,133
TOTAL ASSETS	24,822,014	23,538,045
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to Pensions	684,413	351,518
LIABILITIES		
Current Liabilities		
Accounts and Retainages Payable	841,001	101,778
Accrued Salaries, Wages and Related Liabilities	83,897	74,251
Unearned Revenue - Service Charges	346,840	436,186
Accrued Interest Payable	39,070	49,366
Loans and Bonds Payable, Current Portion	538,603	521,609
Compensated Absences Payable - Current Portion	113,856	135,861
Total Current Liabilities	1,963,267	1,319,051
Noncurrent Liabilities		
Loans and Bonds Payable, Net of Bond Discount	2,083,674	2,621,380
Net Pension Liability	3,310,276	2,730,889
Total Noncurrent Liabilities	5,393,950	5,352,269
TOTAL LIABILITIES	7,357,217	6,671,320
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources Related to Pensions	11,852	548
NET POSITION		
Net Investment in Capital Assets	14,742,036	13,022,144
Restricted for Emergency Reserve	170,000	143,400
Unrestricted	3,225,322	4,052,151
TOTAL NET POSITION	$ 18,137,358	$ 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, 2016

	BUSINESS-TYPE ACTIVITIES 2016	BUSINESS-TYPE ACTIVITIES 2015
OPERATING REVENUES		
Charges for Services	$ 4,996,480	$ 4,858,598
Miscellaneous	321,208	63,579
TOTAL OPERATING REVENUES	5,317,688	4,922,177
OPERATING EXPENSES		
Waste Collection	577,361	501,772
Waste Transmission	564,550	1,538,661
Wastewater Treatment, Pretreatment and Laboratory	986,769	964,274
Solids Processing	133,426	139,206
Engineering	379,248	391,848
Administration		
Buildings and Grounds		
Plant	848,217	429,366
Service Center	98,605	108,807
Finance	410,870	399,601
Information Technology	269,781	269,333
Management and General	216,888	202,578
Depreciation	943,210	968,418
TOTAL OPERATING EXPENSES	5,428,925	5,913,864
OPERATING INCOME (LOSS)	(111,237)	(991,687)
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	28,104	24,763
Interest Expense	(146,090)	(161,706)
Gain (Loss) on Disposal	126	(1,362)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(117,860)	(138,305)
INCOME BEFORE CAPITAL CONTRIBUTIONS	(229,097)	(1,129,992)
CAPITAL CONTRIBUTIONS		
Capital Grants	1,000,000	200,000
System Development Fees	148,760	45,101
TOTAL CAPITAL CONTRIBUTIONS	1,148,760	245,101
CHANGE IN NET POSITION	919,663	(884,891)
NET POSITION, Beginning	17,217,695	18,102,586
NET POSITION, Ending	$ 18,137,358	$ 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, 2016

	BUSINESS-TYPE ACTIVITIES	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 4,880,295	$ 5,032,790
Miscellaneous Receipts	321,208	63,579
Cash Payments to Employees	(2,489,498)	(2,463,205)
Cash Payments to Suppliers	(983,204)	(2,385,095)
Net Cash Provided by Operating Activities	1,728,801	248,069
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Notes Receivable	600	574
Acquisition of Capital Assets	(2,142,390)	(81,716)
Cash Received from Disposal of Capital Assets	126	-
Principal Paid	(521,377)	(504,301)
Interest and Fiscal Charges Paid	(155,721)	(171,009)
Cash Received from Capital Grants	364,500	209,885
System Development Fees Received	148,760	45,101
Net Cash Used by Capital and Related Financing Activities	(2,305,502)	(501,466)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment Activity	(20,165)	(17,213)
Interest Received	28,104	24,763
Net Cash Provided by Investing Activities	7,939	7,550
Decrease in Cash and Cash Equivalents	(568,762)	(245,847)
CASH AND CASH EQUIVALENTS, Beginning	3,899,721	4,145,568
CASH AND CASH EQUIVALENTS, Ending	$ 3,330,959	$ 3,899,721
SUMMARY OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	$ 1,804,170	$ 2,054,982
Restricted Cash and Cash Equivalents	1,526,789	1,844,739
Total Cash and Cash Equivalents	$ 3,330,959	$ 3,899,721
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (111,237)	$ (991,687)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	943,210	968,418
Net Change in Deferred Outflows and Inflows Related to Pensions	257,796	116,685
Changes in Assets and Liabilities		
Accounts Receivable	(26,839)	68,421
Prepaid Insurance	10,719	(10,719)
Inventory	17,634	(8,804)
Accounts Payable	739,223	(42,183)
Accrued Salaries and Benefits	9,646	24,915
Deferred Revenues - Customer Service Charges	(89,346)	105,771
Compensated Absences Payable	(22,005)	17,252
Net Cash Provided by Operating Activities	$ 1,728,801	$ 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. 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, 2016.

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, 2016.

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, 2016 through April 26, 2017, 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 23% 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, 2016, follows:

Petty Cash	$ 500
Cash Deposits	6,129,757
Total	$ 6,130,257

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

Cash and Cash Equivalents	$ 1,804,170
Investments	177,535
Restricted Cash and Cash Equivalents	1,526,789
Restricted Investments	2,621,763
Total	$ 6,130,257

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, 2016, the District had deposits totaling $6,138,034 of which $4,893,034 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 RECEIVABLE

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, 2016 totaled $1,150, with the current portion due of $618.

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016, is summarized below:

	Balances 12/31/2015	Additions	Deletions	Balances 12/31/2016
Capital Assets, not being depreciated				
Land, Rights of Way and Water Rights	$ 1,050,944	$ -	$ -	$ 1,050,944
Construction in Progress	4,957	5,223	4,957	5,223
Total Capital Assets, not being depreciated	1,055,901	5,223	4,957	1,056,167
Capital Assets, being depreciated				
Transmission System	24,068,504	2,056,006	-	26,124,510
Treatment Plant	13,790,518	-	-	13,790,518
Buildings and Improvements	5,304,547	31,318	-	5,335,865
Transportation Equipment	392,622	-	-	392,622
Equipment	1,767,782	89,163	102,067	1,754,878
Total Capital Assets, being depreciated	45,323,973	2,176,487	102,067	47,398,393
Less accumulated depreciation				
Transmission System	(13,371,377)	(628,522)	(34,416)	(13,965,483)
Treatment Plant	(13,538,748)	(76,882)		(13,615,630)
Buildings and Improvements	(2,659,013)	(148,153)		(2,807,166)
Transportation Equipment	(382,881)	(4,330)		(387,211)
Equipment	(262,722)	(85,323)	(33,288)	(314,757)
Total accumulated depreciation	(30,214,741)	(943,210)	(67,704)	(31,090,247)
Total Capital Assets, being depreciated, net	15,109,232	1,233,277	34,363	16,308,146
Total Capital Assets, net	**$ 16,165,133**	**$ 1,238,500**	**$ 39,320**	**$ 17,364,313**

NOTE 6: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2016:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016	Due Within One Year
1999 CWRPDA Loan	$ 2,147,100	$ -	$ 499,201	$ 1,647,899	$ 515,305
Revenue Bonds, Series 1999A	565,577	-	13,960	551,617	14,554
Revenue Bonds, Series 2003A	434,124	-	8,216	425,908	8,744
Bond Discount	(3,812)	-	(665)	(3,147)	-
	3,142,989	-	520,712	2,622,277	538,603
Compensated Absences Payable	135,861	153,473	175,478	113,856	135,861
Total	**$ 3,278,850**	**$ 153,473**	**$ 696,190**	**$ 2,736,133**	**$ 674,464**

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, 2016, net revenues of $2,266,884 was available to pay the respective annual debt service of $666,467.

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, 2016 are as follows:

Year Ended December 31	Principal	Interest	Total
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	27,647	39,207	66,854
2022 - 2026	158,292	175,978	334,270
2027 - 2031	197,739	136,531	334,270
2032 - 2036	247,016	87,254	334,270
2037 - 2041	207,188	30,124	237,312
2042 - 2043	40,576	1,860	42,436
	$ 2,625,424	$ 824,482	$ 3,449,906

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 (AIR) for the LGDTF.

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

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

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

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were $216,763 for the year ended December 31, 2016.

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

At December 31, 2016 the District reported a liability of $3,310,276 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District’s proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the District’s proportion was .300502%, which was an decrease of .00418% from its proportion measured as of December 31, 2014. For the year ended December 31, 2016, the District recognized pension expense of $478,128.

NOTE 7: RETIREMENT COMMITMENTS (Continued)

At December 31, 2016, 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	$ 4,807	$ 117
Changes in assumptions or other inputs	-	11,735
Net difference between projected and actual earnings on pension plan investments	469,827	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	(6,984)	-
Contributions subsequent to the measurement date	216,763	
Total	$ 684,413	$ 11,852

$216,763 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, 2017. 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,	
2017	$ 155,043
2018	168,828
2019	131,927

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation:	2.80%
Real wage growth:	1.10%
Wage inflation:	3.90%
Salary increases, including wage inflation:	3.90% – 10.85%
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, 2014 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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
    - Valuation of the full survivor benefit without any reduction for possible remarriage.
    - Reflection of the employer match on separation benefits for all eligible years.
    - Reflection of one year of service eligibility for survivor annuity benefit.
    - Refinement of the 18 month annual increase timing.
    - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
    - Recognition of merit salary increases in the first projection year.
    - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
    - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
    - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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.

NOTE 7: RETIREMENT COMMITMENTS (Continued)

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, 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%.

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 applied the actuarial cost method and assumptions as 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 3.90%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

NOTE 7: RETIREMENT COMMITMENTS (Continued)

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and 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's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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:

NOTE 7: RETIREMENT COMMITMENTS (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of Net Pension Liability	$ 5,074,990	$ 3,310,276	$ 1,846,619

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, 2016, program members contributed $34,734.

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.

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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, 2016, 2015 and 2014, the District's contributions to the HCTF were $17,437, $17,407 and $17,025, 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.

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, 2016, the emergency reserve of $170,000, was reported as a restriction of net position in the statement of net position.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT SANITATION DISTRICT

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

	2015	2014	2013
Proportion of the Net Pension Liability	0.30050%	0.30468%	0.30075%
Proportionate Share of the Net Pension Liability	$ 3,310,276	$ 2,730,889	$ 2,474,929
Covered Employee Payroll	$ 1,706,616	$ 1,669,095	$ 1,594,155
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	193.97%	163.61%	155.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.87%	80.72%	77.66%
Total Pension Liability	$ 4,762,090,000	$ 4,647,777,000	$ 4,517,239,000
Plan Fiduciary Net Position	3,660,509,000	3,751,468,000	3,508,312,000
Net Pension Liability	$ 1,101,581,000	$ 896,309,000	$ 1,008,927,000

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

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

FREMONT SANITATION DISTRICT

SCHEDULE OF CONTRIBUTIONS
PERA Pension Plan
Last Ten Fiscal Years

	2016	2015	2014
Contractually Required Contribution	$ 216,763	$ 216,399	$ 211,695
Contributions in Relation to the Contractually Required Contribution	216,763	216,399	211,695
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered employee payroll	$ 1,709,483	$ 1,706,616	$ 1,669,095
Contributions as a Percentage of Covered Employee Payroll	12.68%	12.68%	12.68%

NOTE: Information for the prior seven 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, 2016
(With Comparative Actual Totals for the Year Ended December 31, 2015)

	2016			2015
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
REVENUES				
Operating				
Sewer Service Charges	$ 4,860,407	$ 4,907,134	$ 46,727	$ 4,964,369
Miscellaneous	19,670	321,208	301,538	63,579
Non-Operating				
Capital Grants	1,000,000	1,000,000	-	200,000
Investment Income	22,372	28,104	5,732	24,763
System Development Fees	35,000	148,760	113,760	45,101
Reserves	1,147,000	-	(1,147,000)	-
TOTAL REVENUES	7,084,449	6,405,206	(679,243)	5,297,812
EXPENDITURES				
Plant Operations				
Construction				
Personnel Services	371,424	377,965	(6,541)	344,631
Operating Expenses	83,029	61,416	21,613	74,712
Capital Outlay	246,000	227,143	18,857	113,099
Total Construction	700,453	666,524	33,929	532,442
Transmission				
Personnel Services	398,111	482,927	(84,816)	450,191
Operating Expenses	2,160,704	2,169,213	(8,509)	1,088,470
Total Transmission	2,558,815	2,652,140	(93,325)	1,538,661
Treatment Plant				
Personnel Services	611,289	697,440	(86,151)	634,443
Operating Expenses	131,086	106,718	24,368	123,833
Capital Outlay	20,000	-	20,000	-
Total Treatment Plant	762,375	804,158	(41,783)	758,276
Solids Processing				
Operating Expenses	144,796	133,426	11,370	139,206
Total Solids Processing	144,796	133,426	11,370	139,206
Laboratory				
Personnel Services	74,504	83,170	(8,666)	74,914
Operating Expenses	39,174	27,062	12,112	28,867
Total Laboratory	113,678	110,232	3,446	103,781
Pretreatment				
Personnel Services	84,764	55,399	29,365	86,152
Operating Expenses	34,005	16,980	17,025	16,065
Total Pretreatment	$ 118,769	$ 72,379	$ 46,390	$ 102,217

(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, 2016
(With Comparative Actual Totals for the Year Ended December 31, 2015)

	2016			2015
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
EXPENDITURES (Continued)				
Plant Operations (Continued)				
Engineering				
Personnel Services	$ 371,230	$ 361,905	$ 9,325	$ 379,224
Operating Expenses	20,063	17,343	2,720	12,624
Total Engineering	391,293	379,248	12,045	391,848
Total Plant Operations	4,790,179	4,818,107	(27,928)	3,566,431
Administration				
Buildings and Grounds - Plant				
Personnel Services	10,562	13,102	(2,540)	13,409
Operating Expenses	541,424	835,115	(293,691)	415,957
Total Building and Grounds - Plant	551,986	848,217	(296,231)	429,366
Buildings and Grounds - Service Center				
Personnel Services	51,569	55,859	(4,290)	51,775
Operating Expenses	60,905	42,746	18,159	57,032
Capital Outlay	27,450	-	27,450	-
Total Buildings and Grounds - Service Center	139,924	98,605	41,319	108,807
Board Services				
Personnel Services	12,988	12,321	667	11,535
Operating Expenses	11,054	10,271	783	9,747
Total Board Services	24,042	22,592	1,450	21,282
Finance				
Personnel Services	308,928	315,294	(6,366)	316,900
Operating Expenses	90,928	95,576	(4,648)	82,701
Total Finance	399,856	410,870	(11,014)	399,601
District Management				
Personnel Services	158,242	173,887	(15,645)	161,371
Operating Expenses	26,443	20,409	6,034	19,925
Total District Management	184,685	194,296	(9,611)	181,296
Information Technology				
Personnel Services	97,049	105,666	(8,617)	97,512
Operating Expenses	167,696	164,115	3,581	171,821
Capital Outlay	5,500	-	5,500	51,046
Total Information Technology	270,245	269,781	464	320,379
Total Administration	1,570,738	1,844,361	(273,623)	1,460,731

(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, 2016
(With Comparative Actual Totals for the Year Ended December 31, 2015)

	2016			2015
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
Debt Service				
Principal Payments	$ 551,665	$ 521,377	$ 30,288	$ 504,301
Interest and Fiscal Charges	171,867	146,090	25,777	161,706
Total Debt Service	723,532	667,467	56,065	666,007
TOTAL EXPENDITURES	7,084,449	7,329,935	(245,486)	5,693,169
CHANGE IN NET POSITION, Budgetary Basis	$ -	(924,729)	$ (924,729)	(395,357)
ADJUSTMENTS TO GAAP BASIS				
Unearned Revenue:				
Sewer Service Charges - Prior Year		436,186		330,415
Sewer Service Charges - Current Year		(346,840)		(436,186)
Capital Outlay		2,176,753		81,716
Depreciation		(943,210)		(968,418)
Principal Payments on Long-term Debt		521,377		504,301
Gain (Loss) on Disposal of Capital Assets		126		(1,362)
CHANGE IN NET POSITION, GAAP Basis		919,663		(884,891)
NET POSITION, Beginning		17,217,695		18,102,586
NET POSITION, Ending		$ 18,137,358		$ 17,217,695

See the accompanying Independent Auditor's Report.