FREMONT SANITATION DISTRICT

FINANCIAL STATEMENTS
December 31, 2018

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, 2018, 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, 2018, 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. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

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, 2017, by which a report dated April 4, 2018, 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, the schedule of district contributions, schedule of net OPEB liability and the schedule of district OPEB contributions on pages 34 – 37, 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 8, 2019

Fremont Sanitation District

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ANNUAL REPORT

YEAR ENDING DECEMBER 31, 2018

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 2018

- Total Net Position, after accumulated depreciation expense increased by $122,666.
- Depreciation expense was in the amount of $855,648.
- Total Liabilities decreased by $976,124.
- There was a reduction in Long Term Debt of $571.084.
- Operating Revenues increased by $511,463.
- Operating Expenses decreased by $337,124

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 172.23 miles of pipes and 2,684 manholes that make up the collection system. This system transports 1.263 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, 2018, we reported an increase of 73 new accounts which translates to 73 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, 2018. 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 2018 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 $576,171. Total Assets, which is defined as the total resources owned by the District, decreased by $226,166. 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 had $855,648 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	2017	2018	Change Gain/ (Loss)
Residential Customers	$3,076,871	$3,241,417	$ 164,546
Commercial Customers	$ 678,227	$ 725,659	$ 47,432
Institutional (Prisons)	$1,124,056	$1,189,447	$ 65,391
Capital Recovery	$ 219,008	$ 194,292	($ 24,716)
Interest Income	$ 43,376	$ 75,687	$ 32,311
Other Revenues	$ 383,217	$ 440,220	$ 57,003
Total Revenues	$5,524,755	$5,866,722	$ 341,967

Revenue for services increased by $277,369. Revenues from residential and commercial customers exceeded 2018 budget projections by 2%, while revenues from the Federal

Correctional Facility and the Department of Corrections were approximately 4% below budget projections.

EXPENSES

Condensed Statement of Expenses

	2017	2018	Change Gain/(Loss)
Waste Transmission	$1,468,295	$1,299,332	($ 168,963)
Treatment Plant	$1,947,087	$1,643,964	($ 303,123)
Depreciation of System	$ 903,198	$ 855,648	($ 47,550)
Interest Expense	$ 129,916	$ 107,850	($ 22,066
District Administration	$1,654,749	$1,837,261	$ 182,512
Total Expenses	$6,103,245	$5,744,055	($ 359,190)

CAPITAL ASSETS

As of December 31, 2018, the District had capital assets of $15,715,683. The District received $194,292 in System Development Fees during Budget Year 2018. 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

	2017	2018	Change Gain/(Loss)
Cash and Other Assets	$ 7,305,362	$ 7,881,533	$ 576,171
Capital Assets	$16,518,020	$15,715,683	($ 802,337)
Total Assets	$23,823,382	$23,597,216	($ 226,166)
Deferred Outflows of Resources	$ 582,028	$ 420,058	($ 161,970)
Outstanding Long Term Debt	$1,512,595	$ 902,840	($ 609,755)
Net Pension Liability	$3,954,880	$3,138,725	($ 816,155)
Net OPEB Liability	$ 0	$ 298,314	$ 298,314
Current Liabilities	$1,329,966	$1,481,438	$ 151,472
Total Liabilities	$6,797,441	$5,821,317	($ 976,124))
Deferred Inflows of Resources	$ 49,101	$ 787,778	($ 738,677)
Net Position			
Net Investment in Capital Assets	$14,433,567	$14,202,314	($ 231,253)
Restricted	$ 165,000	$ 176,000	$ 11,000
Unrestricted	$ 2,960,301	$ 3,029,865	$ 69,564
Total Net Position	$17,558,868	$17,408,179	($ 150,689)

LONG-TERM DEBT

As of December 31, 2018, the District had $1,513,369 in outstanding debt principal. This amount represents a reduction in the amount of $571,084 as the result of payments during 2018. Of this outstanding debt principal amount, $930,102 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 is 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 5 on pages 13-14 of these financial statements.

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

	Budget Original 2018	Actual 2018
Revenues	$7,161,148	$5,829,166
Expenses	$7,153,647	$5,551,045

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The District's Board of Directors adopted the 2019 Budget on December 18, 2018. The adopted budget contained a 5% rate increase for 2019.

Residential and Commercial System Development Fees have been estimated at $105,000 and $149,200 respectively for the 2019 Budget.

Five Year Projection

In 2009, the District started rehabilitation of the concrete interceptor sewer main and manholes that had been damaged by the presence of sulfuric acid. The final rehabilitation project will be completed in early 2019. 33,861 feet of 30 & 36-inch concrete interceptor main and 93 manholes will have been rehabilitated when the project completes at a cost of $4,911,115.

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 to epay@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, 2018

	BUSINESS-TYPE ACTIVITIES 2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 899,573	$ 802,180
Investments	1,095,948	239,379
Restricted Cash and Cash Equivalents	950,380	702,208
Restricted Investments	4,132,284	4,710,950
Accounts Receivable	691,223	749,524
Grants Receivable	-	30,000
Interest Receivable	-	4,244
Notes Receivable, Current Portion	-	517
Prepaid Expenses	149	-
Inventory	105,550	59,934
Total Current Assets	7,875,107	7,298,936
Noncurrent Assets		
Loan Savings Receivable	6,426	6,426
Total Noncurrent Assets	6,426	6,426
Capital Assets		
Capital Assets, Not Being Depreciated	1,051,981	1,088,522
Capital Assets, Net of Accumulated Depreciation	14,663,702	15,429,498
Total Capital Assets	15,715,683	16,518,020
TOTAL ASSETS	23,597,216	23,823,382
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to Pensions	400,022	582,028
Deferred Outflows of Resources Related to OPEB	20,036	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	420,058	582,028
LIABILITIES		
Current Liabilities		
Accounts and Retainages Payable	283,413	96,330
Accrued Salaries, Wages and Related Liabilities	35,542	83,677
Unearned Revenue - Service Charges	381,707	406,735
Accrued Interest Payable	28,329	28,440
Loans and Bonds Payable, Current Portion	610,529	571,858
Compensated Absences Payable - Current Portion	141,918	142,926
Total Current Liabilities	1,481,438	1,329,966
Noncurrent Liabilities		
Loans and Bonds Payable, Net of Bond Discount	902,840	1,512,595
Net Pension Liability	3,138,725	3,954,880
Net OPEB Liability	298,314	-
Total Noncurrent Liabilities	4,339,879	5,467,475
TOTAL LIABILITIES	5,821,317	6,797,441
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources Related to Pensions	779,175	49,101
Deferred Inflows of Resources Related to OPEB	8,603	-
TOTAL DEFERRED INFLOWS OF RESOURCES	787,778	49,101
NET POSITION		
Net Investment in Capital Assets	14,202,314	14,433,567
Restricted for Emergency Reserve	176,000	165,000
Unrestricted	3,029,865	2,960,301
TOTAL NET POSITION	$ 17,408,179	$ 17,558,868

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, 2018

	BUSINESS-TYPE ACTIVITIES	
	2018	2017
OPERATING REVENUES		
Charges for Services	$ 5,286,110	$ 5,015,778
Miscellaneous	284,238	43,107
TOTAL OPERATING REVENUES	5,570,348	5,058,885
OPERATING EXPENSES		
Waste Collection	639,308	622,281
Waste Transmission	660,024	846,014
Wastewater Treatment, Pretreatment and Laboratory	1,226,083	1,380,743
Solids Processing	92,221	84,275
Engineering	325,660	482,069
Administration		
Buildings and Grounds		
Plant	658,685	447,518
Service Center	133,843	114,260
Finance	414,129	516,658
Information Technology	294,508	302,483
Management and General	336,096	273,830
Depreciation	855,648	903,198
TOTAL OPERATING EXPENSES	5,636,205	5,973,329
OPERATING INCOME (LOSS)	(65,857)	(914,444)
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	75,687	43,376
Interest Expense	(107,850)	(129,916)
Health Insurance Pool Reimbursement	13,867	203,486
Gain (Loss) on Disposal	12,527	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(5,769)	116,946
INCOME BEFORE CAPITAL CONTRIBUTIONS	(71,626)	(797,498)
CAPITAL CONTRIBUTIONS		
Capital Grants	-	30,000
System Development Fees	194,292	189,008
TOTAL CAPITAL CONTRIBUTIONS	194,292	219,008
CHANGE IN NET POSITION	122,666	(578,490)
NET POSITION, Beginning, As Restated	17,285,513	18,137,358
NET POSITION, Ending	$ 17,408,179	$ 17,558,868

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, 2018

	BUSINESS-TYPE ACTIVITIES 2018	BUSINESS-TYPE ACTIVITIES 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 5,251,687	$ 5,067,577
Miscellaneous Receipts	284,238	43,107
Cash Payments to Employees	(2,749,061)	(2,569,654)
Cash Payments to Suppliers	(1,792,292)	(2,434,910)
Net Cash Provided by Operating Activities	994,572	106,120
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Notes Receivable	517	633
Acquisition of Capital Assets	(90,889)	(56,905)
Cash Received from Disposal of Capital Assets	12,527	-
Principal Paid	(571,749)	(538,489)
Interest and Fiscal Charges Paid	(107,296)	(139,881)
Cash Received from Capital Grants	30,000	657,013
System Development Fees Received	194,292	189,008
Net Cash Provided (Used) by Capital and Related Financing Activities	(532,598)	111,379
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Health Insurance Pool Reimbursement	81,563	67,829
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment Activity	(277,903)	(2,151,031)
Interest Received	79,931	39,132
Net Cash Provided (Used) by Investing Activities	(197,972)	(2,111,899)
Increase (Decrease) in Cash and Cash Equivalents	345,565	(1,826,571)
CASH AND CASH EQUIVALENTS, Beginning	1,504,388	3,330,959
CASH AND CASH EQUIVALENTS, Ending	$ 1,849,953	$ 1,504,388
SUMMARY OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	$ 899,573	$ 802,180
Restricted Cash and Cash Equivalents	950,380	702,208
Total Cash and Cash Equivalents	$ 1,849,953	$ 1,504,388
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (Loss)	$ (65,857)	$ (914,444)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities		
Depreciation	855,648	903,198
Write-off of Construction Work in Progress	37,578	-
Net Change in Deferred Outflows and Inflows Related to Pensions and OPEB	109,451	784,238
Changes in Assets and Liabilities		
Accounts Receivable	(9,395)	(8,096)
Prepaid Insurance	(149)	-
Inventory	(45,616)	(2,850)
Accounts Payable	187,083	(744,671)
Accrued Salaries and Benefits	(48,135)	(220)
Deferred Revenues - Customer Service Charges	(25,028)	59,895
Compensated Absences Payable	(1,008)	29,070
Net Cash Provided by Operating Activities	$ 994,572	$ 106,120

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 Postemployment Benefits Other Than Pensions* (Statement No. 75), for the year ended December 31, 2018. Adoption of this statement revised and established new reporting requirements for pension benefits provided by the District to its employees (See NOTE 10). 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 or the net asset value method.

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 and Other Postemployment Benefits (OPEB) that are reported as deferred outflows of resources at December 31, 2018.

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 and OPEB that is reported as deferred inflows of resources at December 31, 2018.

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)

Pensions (Continued)

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform though Senate Bill (SB) 18-200: *Concerning Modifications To The Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the disclosures in Note 6 do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and the District*.

OPEB

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

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, 2018 through April 8, 2019, 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 22% 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.
- 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, 2018, follows:

Petty Cash	$ 500
Cash Deposits	4,450,614
Investments	2,627,071
Total	$ 7,078,185

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

Cash and Cash Equivalents	$ 899,573
Investments	1,095,948
Restricted Cash and Cash Equivalents	950,380
Restricted Investments	4,132,284
Total	$ 7,078,185

NOTE 3: CASH AND INVESTMENTS (Continued)

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, 2018, the District had deposits totaling $4,505,561 of which, $3,505,561 were collateralized with securities held by the financial institutions' agents but not in their name.

Investments

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments. The District generally limits is concentration of investments to Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following:

- 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

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

The District had invested $2,627,071 in the Colorado Government Liquid Asset Trust (COLOTRUST) (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard and Poor's. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Restricted Cash and Investments

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

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018, is summarized below:

	Balances 12/31/2017	Additions	Deletions	Balances 12/31/2018
Capital Assets, not being depreciated				
Land, Rights of Way and Water Rights	$ 1,050,944	$ -	$ -	$ 1,050,944
Construction in Progress	37,578	1,037	37,578	1,037
Total Capital Assets, not being depreciated	1,088,522	1,037	37,578	1,051,981
Capital Assets, being depreciated				
Transmission System	26,124,510	6,960	-	26,131,470
Treatment Plant	13,790,518	-	-	13,790,518
Buildings and Improvements	5,335,865	5,049	-	5,340,914
Transportation Equipment	392,622	-	-	392,622
Equipment	1,779,428	77,843	-	1,857,271
Total Capital Assets, being depreciated	47,422,943	89,852	-	47,512,795
Less accumulated depreciation				
Transmission System	(14,611,932)	(599,012)	-	(15,210,944)
Treatment Plant	(13,665,430)	(48,275)	-	(13,713,705)
Buildings and Improvements	(2,924,461)	(117,465)	-	(3,041,926)
Transportation Equipment	(391,541)	(5,573)	-	(397,114)
Equipment	(400,081)	(85,323)	-	(485,404)
Total accumulated depreciation	(31,993,445)	(855,648)	-	(32,849,093)
Total Capital Assets, being depreciated, net	15,429,498	(765,796)	-	14,663,702
Total Capital Assets, net	$ 16,518,020	$ (764,759)	$ 37,578	$ 15,715,683

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2018:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018	Due Within One Year
1999 CWRPDA Loan	$ 1,132,594	$ -	$ 547,510	$ 585,084	$ 585,084
Revenue Bonds, Series 1999A	537,041	-	15,239	521,802	15,904
Revenue Bonds, Series 2003A	417,300	-	9,000	408,300	9,541
Bond Discount	(2,482)	-	(665)	(1,817)	-
	2,084,453	-	571,084	1,513,369	610,529
Compensated Absences Payable	142,926	-	-	142,926	141,918
Total	$ 2,227,379	$ -	$ 571,084	$ 1,656,295	$ 752,447

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, 2018, net revenues of $1,005,376 was available to pay the respective annual debt service of $667,741.

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.

NOTE 5: LONG-TERM DEBT (Continued)

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

Annual debt service requirements for the outstanding loans and revenue bonds at December 31, 2018 are as follows:

Year Ended December 31	Principal	Interest	Total
2019	$ 610,529	$ 65,692	$ 676,221
2020	26,444	40,410	66,854
2021	27,647	39,207	66,854
2022	28,905	37,949	66,854
2023	30,221	36,633	66,854
2024 - 2028	173,026	169,402	342,428
2029 - 2033	216,145	118,125	334,270
2034 - 2038	258,256	64,261	322,517
2039 - 2043	144,013	13,534	157,547
	$ 1,515,186	$ 585,213	$ 2,100,399

NOTE 6: RETIREMENT COMMITMENTS

Multiple-Employer Defined Benefit Pension Plan

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

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

NOTE 6: 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.

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

NOTE 6: RETIREMENT COMMITMENTS (Continued)

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

Contributions. Eligible employees and the 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 $225,492 for the year ended December 31, 2017.

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

At December 31, 2018 the District reported a liability of $3,138,725 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017.

Standard updated procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

NOTE 6: RETIREMENT COMMITMENTS (Continued)

At December 31, 2017, the District's proportion was .28190%, which was a decrease of .01098% from its proportion measured as of December 31, 2016. For the year ended December 31, 2018, the District recognized pension expense of $352,391. At December 31, 2018, 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	$ 23,160	$ -
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	140,950	678,667
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	100,508
Contributions subsequent to the measurement date	235,912	-
Total	$ 400,022	$ 779,175

$235,912 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, 2018. 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,	
2019	$ (142,415)
2020	(246,429)
2021	(226,221)

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation:	2.40%
Real wage growth:	1.10%
Wage inflation:	3.50%
Salary increases, including wage inflation:	3.50% – 10.45%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation:	7.25%
Discount rate:	7.25%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07:	2.00%

NOTE 6: RETIREMENT COMMITMENTS (Continued)

PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic):	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28,2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation:	2.40%
Real wage growth:	1.10%
Wage inflation:	3.50%
Salary increases, including wage inflation:	3.50% – 10.45%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation:	7.25%
Discount rate:	7.25%
Post-retirement benefit increases:	
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

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

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

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

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

NOTE 6: RETIREMENT COMMITMENTS (Continued)

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

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

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

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

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

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

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

NOTE 6: RETIREMENT COMMITMENTS (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. 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 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- 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.
- 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.

NOTE 6: RETIREMENT COMMITMENTS (Continued)

- 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 of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of Net Pension Liability	$ 4,998,971	$ 3,138,725	$ 1,587,942

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

Changes between the measurement date of the net pension liability and December 31, 2018. During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

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

NOTE 6: RETIREMENT COMMITMENTS (Continued)

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

At December 31, 2018 the District reported a liability of $3,138,725 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 2,220,074

NOTE 6: RETIREMENT COMMITMENTS (Continued)

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, 2018, program members contributed $36,766.

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

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

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

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were $18,139 for the year ended December 31, 2017.

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At December 31 2018, the District reported a liability of $298,314 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.02190%, which was an decrease of 0.00058% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized OPEB expense of $13,526. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,081	$ -
Net difference between projected and actual earnings on pension plan investments	-	(3,571)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(5,032)
Contributions subsequent to the measurement date	18,955	-
Total	$ 20,036	$ (8,603)

$18,955 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	
2019	$ (2,156)
2020	$ (2,156)
2021	$ (2,154)
2022	$ (965)
2023	$ (91)

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

Actuarial Cost Method:	Entry age
Price inflation:	2.40%
Real wage growth:	1.10%
Wage inflation:	3.50%
Salary increases, including wage inflation:	3.50% in aggregate
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation:	7.25%
Discount rate:	7.25%
Health care cost trend rates	
PERA Benefit Structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.00% for 2017, gradually Rising to 4.25% in 2023

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

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

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

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

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

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

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

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

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

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

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

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Mediare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Net OPEB Liability	$ 276,841	$ 284,674	$ 294,107

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

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of Net OPEB Liability	$ 320,063	$ 284,674	$ 254,468

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

NOTE 8: 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 9: 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.

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment (Continued)
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, 2018, the emergency reserve of $176,000, was reported as a restriction of net position in the statement of net position.

NOTE 10: CHANGE IN ACCOUNTING PRINICIPLE

The District participates in the cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by PERA (NOTE 7). As discussed in NOTE 1, the District adopted Statement No. 75 for the year ended December 31, 2018. Statement No. 75 requires the District to record their proportionate share of the unfunded net OPEB liability of the OPEB 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, 2018 by $273,355. The prior year comparative amounts have not been restated.

Beginning Net Position, as previously reported at January 1, 2018	$ 17,558,868
GASB Statement No. 68 Implementation:	
Deferred Outflows of Resources – District contributions made January 1, 2017 through December 31, 2017	18,139
Net OPEB Liability, at December 31, 2016 (measurement date)	(291,494)
Net Position, January 1, 2018, as Restated	$ 17,285,513

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT SANITATION DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA Local Government Division Trust Fund Pension Plan
Last Ten Years*

	2017	2016	2015	2014	2013
Proportion of the Net Pension Liability	0.28190%	0.29288%	0.30050%	0.30468%	0.30075%
Proportionate Share of the Net Pension Liability	$ 3,138,725	$ 3,954,880	$ 3,310,276	$ 2,730,889	$ 2,474,929
Covered Employee Payroll	$ 1,775,223	$ 1,709,483	$ 1,706,616	$ 1,669,095	$ 1,594,155
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	176.81%	231.35%	193.97%	163.61%	155.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.37%	73.65%	76.87%	80.72%	77.66%
Total Pension Liability	$ 5,396,516,000	$ 5,123,847,000	$ 4,762,090,000	$ 4,647,777,000	$ 4,517,239,000
Plan Fiduciary Net Position	4,283,086,000	3,773,506,000	3,660,509,000	3,751,468,000	3,508,312,000
Net Pension Liability	$ 1,113,430,000	$ 1,350,341,000	$ 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 five years was not available to report.

See the accompanying Independent Auditor's Report.

FREMONT SANITATION DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS
PERA Pension Plan
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 235,912	$ 225,098	$ 216,763	$ 216,399	$ 211,695
Contributions in Relation to the Contractually Required Contribution	235,912	225,098	216,763	216,399	211,695
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 1,860,505	$ 1,775,223	$ 1,709,483	$ 1,706,616	$ 1,669,095
Contributions as a Percentage of Covered Employee Payroll	12.68%	12.68%	12.68%	12.68%	12.68%

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

See the accompanying Independent Auditor's Report.

Fremont Sanitation District

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OTHER POST EMPLOYMNT BENEFIT LIABILITY
PERA HCTF OPEB Plan
Last Ten Years*

	2017	2016
Proportion of the Net OPEB Liability (Asset)	0.02190%	0.02248%
Proportionate Share of the Net OPEB Liability (Asset)	$ 284,674	$ 291,494
Covered Employee Payroll	$ 1,858,345	$ 1,778,326
Proportionate Share of Net OPEB Liability as a Percentage of its Covered Employee Payroll	15.32%	16.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%	16.72%
Total OPEB Liability	$ 1,575,822,000	$ 1,556,762,000
Plan Fiduciary Net Position	276,222,000	260,228,000
Net OPEB Liability	1,299,600,000	1,296,534,000

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

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

Fremont Sanitation District

SCHEDULE OF OPEB CONTRIBUTIONS
PERA HCTF OPEB Plan
Last Ten Fiscal Years

	2018	2017
Contractually Required Contribution	18,955	18,139
Contributions in Relation to the Contractually Required Contribution	18,955	18,139
Contribution Deficiency (Excess)	$ -	$ -
Covered employee payroll	1,858,345	1,778,326
Contributions as a Percentage of Covered Employee Payroll	1.02%	1.02%

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

See the accompanying Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

FREMONT SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS
Year Ended December 31, 2018
(With Comparative Actual Totals for the Year Ended December 31, 2017)

	2018			2017
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
REVENUES				
Operating				
Sewer Service Charges	$ 5,245,648	$ 5,261,082	$ 15,434	$ 5,075,673
Miscellaneous	17,795	284,238	266,443	43,107
Non-Operating				
Capital Grants	800,000	-	(800,000)	30,000
Investment Income	4,529	75,687	71,158	43,376
System Development Fees	-	194,292	194,292	189,008
Health Reinsurance Pool Reimbursement	47,480	13,867	(33,613)	203,486
Reserves	1,045,696	-	(1,045,696)	-
TOTAL REVENUES	7,161,148	5,829,166	(1,331,982)	5,584,650
EXPENDITURES				
Plant Operations				
Construction				
Personnel Services	400,337	403,043	(2,706)	448,024
Operating Expenses	98,185	81,085	17,100	62,454
Capital Outlay	266,033	246,069	19,964	156,658
Total Construction	764,555	730,197	34,358	667,136
Transmission				
Personnel Services	474,359	477,277	(2,918)	600,084
Operating Expenses	1,817,005	182,747	1,634,258	245,930
Capital Outlay	50,000	-	50,000	12,050
Total Transmission	2,341,364	660,024	1,681,340	858,064
Treatment Plant				
Personnel Services	653,375	670,721	(17,346)	777,089
Operating Expenses	302,145	312,916	(10,771)	322,092
Total Treatment Plant	955,520	983,637	(28,117)	1,099,181
Solids Processing				
Operating Expenses	101,232	92,221	9,011	84,275
Total Solids Processing	101,232	92,221	9,011	84,275
Laboratory				
Personnel Services	87,546	90,090	(2,544)	106,044
Operating Expenses	38,773	30,565	8,208	36,438
Total Laboratory	126,319	120,655	5,664	142,482
Pretreatment				
Personnel Services	88,955	93,683	(4,728)	122,374
Operating Expenses	41,879	28,108	13,771	16,706
Total Pretreatment	$ 130,834	$ 121,791	$ 9,043	$ 139,080

(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, 2018
(With Comparative Actual Totals for the Year Ended December 31, 2017)

	2018			2017
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
EXPENDITURES (Continued)				
Plant Operations (Continued)				
Engineering				
Personnel Services	$ 285,874	$ 302,278	$ (16,404)	$ 462,611
Operating Expenses	25,524	23,382	2,142	19,458
Total Engineering	311,398	325,660	(14,262)	482,069
Total Plant Operations	4,731,222	3,034,185	1,697,037	3,472,287
Administration				
Buildings and Grounds - Plant				
Personnel Services	12,463	8,639	3,824	17,670
Operating Expenses	468,020	650,046	(182,026)	429,848
Total Building and Grounds - Plant	480,483	658,685	(178,202)	447,518
Buildings and Grounds - Service Center				
Personnel Services	67,256	73,962	(6,706)	71,751
Operating Expenses	85,354	59,881	25,473	42,509
Total Buildings and Grounds - Service Center	152,610	133,843	18,767	114,260
Board Services				
Personnel Services	12,962	10,108	2,854	14,377
Operating Expenses	18,642	13,990	4,652	11,526
Total Board Services	31,604	24,098	7,506	25,903
Finance				
Personnel Services	338,875	296,411	42,464	414,875
Operating Expenses	116,944	117,718	(774)	101,783
Total Finance	455,819	414,129	41,690	516,658
District Management				
Personnel Services	248,828	271,555	(22,727)	219,106
Operating Expenses	25,279	40,443	(15,164)	28,821
Total District Management	274,107	311,998	(37,891)	247,927
Information Technology				
Personnel Services	102,068	111,602	(9,534)	128,737
Operating Expenses	184,137	182,906	1,231	173,746
Total Information Technology	286,205	294,508	(8,303)	302,483
Total Administration	1,680,828	1,837,261	(156,433)	1,654,749

(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, 2018
(With Comparative Actual Totals for the Year Ended December 31, 2017)

	2018			2017
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
Debt Service				
Principal Payments	$ 621,960	$ 571,749	$ 50,211	$ 538,489
Interest and Fiscal Charges	119,637	107,850	11,787	129,916
Total Debt Service	741,597	679,599	61,998	668,405
TOTAL EXPENDITURES	7,153,647	5,551,045	1,602,602	5,795,441
CHANGE IN NET POSITION, Budgetary Basis	$ 7,501	278,121	$ 270,620	(210,791)
ADJUSTMENTS TO GAAP BASIS				
Unearned Revenue:				
Sewer Service Charges - Prior Year		406,735		346,840
Sewer Service Charges - Current Year		(381,707)		(406,735)
Capital Outlay		90,889		56,905
Depreciation		(855,648)		(903,198)
Principal Payments on Long-term Debt		571,749		538,489
Gain (Loss) on Disposal of Capital Assets		12,527		-
CHANGE IN NET POSITION, GAAP Basis		122,666		(578,490)
NET POSITION, Beginning, As Restated		17,285,513		18,137,358
NET POSITION, Ending		$ 17,408,179		$ 17,558,868

See the accompanying Independent Auditor's Report.