

FREMONT SANITATION DISTRICT

FINANCIAL STATEMENTS
December 31, 2019



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, 2019, 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, 2019, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Comparative Financial Information

The comparative financial information for the prior year has been presented in the accompanying financial statements in order to provide an analysis of changes in the District's financial position and operations. However, complete comparative financial information has not been presented in accordance with generally accepted accounting principles since its inclusion would make the financial statements cumbersome and difficult to read. The comparative financial information for the year ended December 31, 2018, by which a report dated April 8, 2019, 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
June 23, 2020

BASIC FINANCIAL STATEMENTS

FREMONT SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 671,279	\$ 899,573
Investments	2,170,444	1,095,948
Restricted Cash and Cash Equivalents	473,350	950,380
Restricted Investments	3,662,352	4,132,284
Accounts Receivable	668,578	691,223
Interest Receivable	5,568	-
Prepaid Expenses	3,182	149
Inventory	74,021	105,550
Total Current Assets	<u>7,728,774</u>	<u>7,875,107</u>
Noncurrent Assets		
Loan Savings Receivable	-	6,426
Total Noncurrent Assets	<u>-</u>	<u>6,426</u>
Capital Assets		
Capital Assets, Not Being Depreciated	1,050,944	1,051,981
Capital Assets, Net of Accumulated Depreciation	15,151,810	14,663,702
Total Capital Assets	<u>16,202,754</u>	<u>15,715,683</u>
TOTAL ASSETS	<u>23,931,528</u>	<u>23,597,216</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to Pensions	713,293	400,022
Deferred Outflows of Resources Related to OPEB	24,437	20,036
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>737,730</u>	<u>420,058</u>
LIABILITIES		
Current Liabilities		
Accounts and Retainages Payable	138,221	283,413
Accrued Salaries, Wages and Related Liabilities	106,157	35,542
Unearned Revenue - Service Charges	405,638	381,707
Accrued Interest Payable	5,088	28,329
Loans and Bonds Payable, Current Portion	26,591	610,529
Compensated Absences Payable - Current Portion	159,135	141,918
Total Current Liabilities	<u>840,830</u>	<u>1,481,438</u>
Noncurrent Liabilities		
Loans and Bonds Payable, Net of Bond Discount	877,014	902,840
Net Pension Liability	3,571,546	3,138,725
Net OPEB Liability	299,738	298,314
Total Noncurrent Liabilities	<u>4,748,298</u>	<u>4,339,879</u>
TOTAL LIABILITIES	<u>5,589,128</u>	<u>5,821,317</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources Related to Pensions	6,153	779,175
Deferred Inflows of Resources Related to OPEB	4,182	8,603
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,335</u>	<u>787,778</u>
NET POSITION		
Net Investment in Capital Assets	15,299,149	14,202,314
Restricted for Emergency Reserve	182,500	176,000
Unrestricted	3,588,146	3,029,865
TOTAL NET POSITION	<u>\$ 19,069,795</u>	<u>\$ 17,408,179</u>

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, 2019

	BUSINESS-TYPE ACTIVITIES	
	2019	2018
OPERATING REVENUES		
Charges for Services	\$ 5,575,376	\$ 5,286,110
Miscellaneous	57,757	284,238
TOTAL OPERATING REVENUES	5,633,133	5,570,348
OPERATING EXPENSES		
Waste Collection	521,346	639,308
Waste Transmission	975,235	660,024
Wastewater Treatment, Pretreatment and Laboratory	852,931	1,226,083
Solids Processing	72,708	92,221
Engineering	236,772	325,660
Administration		
Buildings and Grounds		
Plant	421,388	658,685
Service Center	126,476	133,843
Finance	435,951	414,129
Information Technology	296,615	294,508
Management and General	280,100	336,096
Depreciation	778,551	855,648
TOTAL OPERATING EXPENSES	4,998,073	5,636,205
OPERATING INCOME (LOSS)	635,060	(65,857)
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	111,224	75,687
Interest Expense	(43,219)	(107,850)
Health Insurance Pool Reimbursement	34,876	13,867
Gain (Loss) on Disposal	-	12,527
TOTAL NON-OPERATING REVENUES (EXPENSES)	102,881	(5,769)
INCOME BEFORE CAPITAL CONTRIBUTIONS	737,941	(71,626)
CAPITAL CONTRIBUTIONS		
Capital Grants	619,475	-
System Development Fees	304,200	194,292
TOTAL CAPITAL CONTRIBUTIONS	923,675	194,292
CHANGE IN NET POSITION	1,661,616	122,666
NET POSITION, Beginning, As Restated	17,408,179	17,285,513
NET POSITION, Ending	\$ 19,069,795	\$ 17,408,179

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, 2019

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 5,555,022	\$ 5,251,687
Miscellaneous Receipts	57,757	284,238
Cash Payments to Employees	(2,730,900)	(2,749,061)
Cash Payments to Suppliers	(2,178,356)	(1,792,292)
Net Cash Provided by Operating Activities	<u>703,523</u>	<u>994,572</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Notes Receivable	6,426	517
Acquisition of Capital Assets	(1,265,622)	(90,889)
Cash Received from Disposal of Capital Assets	-	12,527
Principal Paid	(610,429)	(571,749)
Interest and Fiscal Charges Paid	(65,795)	(107,296)
Cash Received from Capital Grants	619,475	30,000
System Development Fees Received	304,200	194,292
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,011,745)</u>	<u>(532,598)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Health Insurance Pool Reimbursement	<u>101,806</u>	<u>81,563</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment Activity	(604,564)	(277,903)
Interest Received	105,656	79,931
Net Cash Provided (Used) by Investing Activities	<u>(498,908)</u>	<u>(197,972)</u>
Increase (Decrease) in Cash and Cash Equivalents	(705,324)	345,565
CASH AND CASH EQUIVALENTS, Beginning	<u>1,849,953</u>	<u>1,504,388</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,144,629</u>	<u>\$ 1,849,953</u>
SUMMARY OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 671,279	\$ 899,573
Restricted Cash and Cash Equivalents	473,350	950,380
Total Cash and Cash Equivalents	<u>\$ 1,144,629</u>	<u>\$ 1,849,953</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (Loss)	\$ 635,060	\$ (65,857)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities		
Depreciation	778,551	855,648
Write-off of Construction Work in Progress	-	37,578
Net Change in Deferred Outflows and Inflows Related to Pensions and OPEB	(660,870)	109,451
Changes in Assets and Liabilities		
Accounts Receivable	(44,285)	(9,395)
Prepaid Insurance	(3,033)	(149)
Inventory	31,529	(45,616)
Accounts Payable	(145,192)	187,083
Accrued Salaries and Benefits	70,615	(48,135)
Deferred Revenues - Customer Service Charges	23,931	(25,028)
Compensated Absences Payable	17,217	(1,008)
Net Cash Provided by Operating Activities	<u>\$ 703,523</u>	<u>\$ 994,572</u>

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

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

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

Fund Accounting

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 recorded 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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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, 2019.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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, 2019.

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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions (Continued)

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To The Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provision required by SB 18-200 for the LGDTF that were in effect on the LGDTF's December 31, 2018 measurement date are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employee contribution rates for the LGDTF 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, increases 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, the direct distribution from the State, 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 members of the Local Government Division hired on or after January 1, 2019. 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.

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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2019 through June 23, 2020, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District is located. It is unknown how long these conditions will last and what the complete financial effect will be to the District.

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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets and Budgetary Accounting

- 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, 2019, follows:

Petty Cash	\$	500
Cash Deposits		3,784,247
Investments		<u>3,192,678</u>
Total	\$	<u>6,977,425</u>

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

Cash and Cash Equivalents	\$	671,279
Investments		2,170,444
Restricted Cash and Cash Equivalents		473,350
Restricted Investments		<u>3,662,352</u>
Total	\$	<u>6,977,425</u>

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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3: CASH AND INVESTMENTS (Continued)

The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2019, the District had deposits totaling \$3,864,260 of which \$3,081,455 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 its 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

At December 31, 2019 the District had the following investments:

	<u>Maturity</u>	<u>2019</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 3,192,678</u>

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3: CASH AND INVESTMENTS (Continued)

The District invested 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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019, is summarized below:

	Balances 12/31/2018	Additions	Deletions	Balances 12/31/2019
Capital Assets, not being depreciated				
Land, Rights of Way and Water Rights	\$ 1,050,944	\$ -	\$ -	\$ 1,050,944
Construction in Progress	1,037	-	1,037	-
Total Capital Assets, not being depreciated	<u>1,051,981</u>	<u>-</u>	<u>1,037</u>	<u>1,050,944</u>
Capital Assets, being depreciated				
Transmission System	26,131,470	1,238,951	484,256	26,886,165
Treatment Plant	13,790,518	-	-	13,790,518
Buildings and Improvements	5,340,914	-	-	5,340,914
Transportation Equipment	369,448	27,708	-	397,156
Equipment	1,857,271	-	-	1,857,271
Total Capital Assets, being depreciated	<u>47,489,621</u>	<u>1,266,659</u>	<u>484,256</u>	<u>48,272,024</u>
Less accumulated depreciation				
Transmission System	(15,210,944)	(541,913)	(484,256)	(15,268,601)
Treatment Plant	(13,713,706)	(39,667)	-	(13,753,373)
Buildings and Improvements	(3,041,926)	(118,305)	-	(3,160,231)
Transportation Equipment	(373,939)	(16,030)	-	(389,969)
Equipment	(485,404)	(62,636)	-	(548,040)
Total accumulated depreciation	<u>(32,825,919)</u>	<u>(778,551)</u>	<u>(484,256)</u>	<u>(33,120,214)</u>
Total Capital Assets, being depreciated, net	<u>14,663,702</u>	<u>488,108</u>	<u>-</u>	<u>15,151,810</u>
Total Capital Assets, net	<u>\$ 15,715,683</u>	<u>\$ 488,108</u>	<u>\$ 1,037</u>	<u>\$ 16,202,754</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2019:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019	Due Within One Year
1999 CWRPDA Loan	\$ 585,084	\$ -	\$ 585,084	\$ -	\$ -
Revenue Bonds, Series 1999A	521,802	-	15,935	505,867	16,630
Revenue Bonds, Series 2003A	408,300	-	9,410	398,890	9,814
Bond Discount	(1,817)	-	(665)	(1,152)	-
	<u>1,513,369</u>	<u>-</u>	<u>609,764</u>	<u>903,605</u>	<u>26,444</u>
Compensated Absences Payable	141,918	173,678	156,461	159,135	159,135
Total	<u>\$ 1,655,287</u>	<u>\$ 173,678</u>	<u>\$ 766,225</u>	<u>\$ 1,062,740</u>	<u>\$ 185,579</u>

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 were due semi-annually on February 1 and August 1, through August 1, 2019. Interest accrued at 4.2% per annum. The Loan was paid in full during 2019.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 5: LONG-TERM DEBT (Continued)

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, 2019, net revenues of \$1,168,163 was available to pay the respective annual debt service of \$66,854.

On January 7, 2020, the District refunded the Series 1999A Wastewater Enterprise Revenue Bonds with the issuance of \$465,000 Series 2020A Wastewater Revenue Refunding Bonds. The bonds proceeds were used to refund and pay-off the 1999A Wastewater Enterprise Revenue Bonds. This refunding resulted in a net present value savings of interest in the amount of \$107,477. Principal and Interest payments are due annually on June 1, through June 1 2036. Interest accrues between 2.25% and 4.00%.

On January 7, 2020, the District refunded the Series 2003A Wastewater Enterprise Revenue Bonds with the issuance of \$385,000 Series 2020B Wastewater Revenue Refunding Bonds. The bonds proceeds were used to refund and pay-off the 1999A Wastewater Enterprise Revenue Bonds. This refunding resulted in a net present value savings of interest in the amount of \$61,044. Principal and Interest payments are due annually on June 1, through June 1 2036. Interest accrues between 2.25% and 4.00%.

Restricted Covenants - 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, 2019 are as follows:

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5: LONG-TERM DEBT (Continued)

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	31,596	35,258	66,854
2025 - 2029	180,900	153,370	334,270
2030 - 2034	225,981	108,289	334,270
2035 - 2039	263,672	51,958	315,630
2040 - 2043	89,391	8,290	97,681
	<u>\$ 904,757</u>	<u>\$ 511,364</u>	<u>\$ 1,416,121</u>

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.

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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6: RETIREMENT COMMITMENTS (Continued)

- 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, 2018, 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. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019. Thereafter, 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, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% 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 1.5% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1% based on the parameters specified C.R.S. § 24-51-413.

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

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

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6: RETIREMENT COMMITMENTS (Continued)

Contribution provisions as of December 31, 2019. 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.* and § 24-51-413. Eligible employees are required to contribute 8% of their PERA-includable salary during the period of January 1, 2019 through December 31, 2019. The employer contribution requirements during the period of January 1, 2019 through December 31, 2019 are summarized in the table below:

Employer Contribution Rate	(1) 10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	<u>-1.02%</u>
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	<u>1.50%</u>
Total Employer Contribution Rate to the SCHDTF	<u><u>12.68%</u></u>

(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 \$235,912 for the year ended December 31, 2018.

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

At December 31, 2019 the District reported a liability of \$3,571,546 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. 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.

At December 31, 2018, the District's proportion was .28408%, which was an increase of .00219% from its proportion measured as of December 31, 2017. For the year ended December 31, 2019, the District recognized pension income of \$889,384. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6: RETIREMENT COMMITMENTS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 85,789	\$ -
Net difference between projected and actual earnings on pension plan investments	372,094	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	18,665	(6,153)
Contributions subsequent to the measurement date	236,745	-
Total	<u>\$ 713,293</u>	<u>\$ (6,153)</u>

\$236,745 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,

2020	\$ 164,244
2021	120,104
2022	93,023
2023	93,023

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

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6: RETIREMENT COMMITMENTS (Continued)

These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate:	7.25%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07:	0.00% through 2019 and 1.5% compounded annually, thereafter
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.

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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6: RETIREMENT COMMITMENTS (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>100.00%</u>	

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

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%.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6: RETIREMENT COMMITMENTS (Continued)

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions 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. AIR transfers to the fiduciary net position and the subsequent AIR benefit were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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:

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6: RETIREMENT COMMITMENTS (Continued)

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate Share of Net Pension Liability	<u>\$ 5,463,726</u>	<u>\$ 3,571,546</u>	<u>\$ 1,988,545</u>

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, 2019. During the 2019 legislative session, the Colorado General Assembly passed significant pension reform through SB 19-1217: *PERA Public Employees' Retirement Association Local Government Division Member Contribution Rate*. The bill was signed into law by Governor Polis on May 20, 2019, and eliminates the 2% increase in the contribution rate for members in the Local Government Division mandated by SB 18-200.

Defined Contribution Pension Plan

Voluntary Investment Program

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, 2019, program members contributed \$35,293.

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

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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.

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% 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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$18,955 for the year ended December 31, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At December 31 2019, the District reported a liability of \$299,738 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District's proportion was 0.02203%, which was an increase of 0.00013% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the District recognized OPEB income of \$7,398. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 908	\$ (380)
Net difference between projected and actual earnings on pension plan investments	1,380	-
Changes of assumptions or other inputs	1,755	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,388	(3,802)
Contributions subsequent to the measurement date	19,006	-
Total	<u>\$ 24,437</u>	<u>\$ (4,182)</u>

\$19,006 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,

2020	\$ (158)
2021	(158)
2022	(158)
2023	960
2024	727
2025	36

Actuarial assumptions. The total OPEB liability in the December 31, 2017 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	3.25% for 2018, gradually Rising to 5% in 2025

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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.

The actuarial assumptions used in the December 31, 2017, 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 736	\$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A Premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

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

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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, 2017, 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:

Year	PERACare Medicare Plans	Medicare Part A Premium
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%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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% factor applied to male rates and a 55% 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:

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

- **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.

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:

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>100.00%</u>	

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

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$ 335,380	\$ 286,312	\$ 269,266

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, 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.
- 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 middle of the year.

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

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

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	\$ 321,904	\$ 299,738	\$ 255,932

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.

FREMONT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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.

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, 2019, the emergency reserve of \$182,500, was reported as a restriction of net position in the statement of net position.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT SANITATION DISTRICT

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability	0.28408%	0.28190%	0.29288%	0.30050%	0.30468%	0.30075%
Proportionate Share of the Net Pension Liability	\$ 3,571,546	\$ 3,138,725	\$ 3,954,880	\$ 3,310,276	\$ 2,730,889	\$ 2,474,929
Total Covered Payroll	\$ 1,860,505	\$ 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	191.97%	176.81%	231.35%	193.97%	163.61%	155.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.96%	79.37%	73.65%	76.87%	80.72%	77.66%
Total Pension Liability	\$ 5,228,602,000	\$ 5,396,516,000	\$ 5,123,847,000	\$ 4,762,090,000	\$ 4,647,777,000	\$ 4,517,239,000
Plan Fiduciary Net Position	<u>3,971,389,000</u>	<u>4,283,086,000</u>	<u>3,773,506,000</u>	<u>3,660,509,000</u>	<u>3,751,468,000</u>	<u>3,508,312,000</u>
Net Pension Liability	<u>\$ 1,257,213,000</u>	<u>\$ 1,113,430,000</u>	<u>\$ 1,350,341,000</u>	<u>\$ 1,101,581,000</u>	<u>\$ 896,309,000</u>	<u>\$ 1,008,927,000</u>

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

NOTE: Information for the prior four 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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 236,265	\$ 235,912	\$ 225,098	\$ 216,763	\$ 216,399	\$ 211,695
Contributions in Relation to the Contractually Required Contribution	<u>236,265</u>	<u>235,912</u>	<u>225,098</u>	<u>216,763</u>	<u>216,399</u>	<u>211,695</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Covered Payroll	\$ 1,863,290	\$ 1,860,505	\$ 1,775,223	\$ 1,709,483	\$ 1,706,616	\$ 1,669,095
Contributions as a Percentage of Total Covered Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%

NOTE: Information for the prior four 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*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the Net OPEB Liability (Asset)	0.02203%	0.02190%	0.02248%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 299,738	\$ 284,674	\$ 291,494
Total Covered Payroll	\$ 1,863,290	\$ 1,858,345	\$ 1,778,326
Proportionate Share of Net OPEB Liability as a Percentage of its Covered Employee Payroll	16.09%	15.32%	16.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.03%	17.53%	16.72%
Total OPEB Liability	\$ 1,639,734,000	\$ 1,575,822,000	\$ 1,556,762,000
Plan Fiduciary Net Position	<u>279,192,000</u>	<u>276,222,000</u>	<u>260,228,000</u>
Net OPEB Liability	<u><u>1,360,542,000</u></u>	<u><u>1,299,600,000</u></u>	<u><u>1,296,534,000</u></u>

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

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

Fremont Sanitation District

SCHEDULE OF OPEB CONTRIBUTIONS

PERA HCTF OPEB Plan
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	19,006	18,955	18,139
Contributions in Relation to the Contractually Required Contribution	<u>19,006</u>	<u>18,955</u>	<u>18,139</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Covered Payroll	1,863,290	1,858,345	1,778,326
Contributions as a Percentage of Total Covered Payroll	1.02%	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, 2019

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

	2019		VARIANCE	2018
	ORIGINAL AND FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
REVENUES				
Operating				
Sewer Service Charges	\$ 5,598,955	\$ 5,599,307	\$ 352	\$ 5,261,082
Miscellaneous	18,806	57,757	38,951	284,238
Non-Operating				
Capital Grants	-	619,475	619,475	-
Investment Income	56,000	111,224	55,224	75,687
System Development Fees	254,200	304,200	50,000	194,292
Health Reinsurance Pool Reimbursement	13,867	34,876	21,009	13,867
Reserves	1,954,700	-	(1,954,700)	-
TOTAL REVENUES	7,896,528	6,726,839	(1,169,689)	5,829,166
EXPENDITURES				
Plant Operations				
Construction				
Personnel Services	409,173	322,957	86,216	403,043
Operating Expenses	83,065	85,503	(2,438)	81,085
Capital Outlay	211,362	139,557	71,805	246,069
Total Construction	703,600	548,017	155,583	730,197
Transmission				
Personnel Services	479,957	383,372	96,585	477,277
Operating Expenses	2,166,905	591,863	1,575,042	182,747
Capital Outlay	-	1,238,951	(1,238,951)	-
Total Transmission	2,646,862	2,214,186	432,676	660,024
Treatment Plant				
Personnel Services	674,470	505,400	169,070	670,721
Operating Expenses	179,493	165,271	14,222	312,916
Total Treatment Plant	853,963	670,671	183,292	983,637
Solids Processing				
Operating Expenses	83,403	72,708	10,695	92,221
Total Solids Processing	83,403	72,708	10,695	92,221
Laboratory				
Personnel Services	88,248	70,495	17,753	90,090
Operating Expenses	38,920	30,711	8,209	30,565
Total Laboratory	127,168	101,206	25,962	120,655
Pretreatment				
Personnel Services	92,197	54,429	37,768	93,683
Operating Expenses	37,848	26,625	11,223	28,108
Total Pretreatment	\$ 130,045	\$ 81,054	\$ 48,991	\$ 121,791

(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, 2019

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

	2019		VARIANCE Positive (Negative)	2018
	ORIGINAL AND FINAL BUDGET	ACTUAL		ACTUAL
EXPENDITURES (Continued)				
Plant Operations (Continued)				
Engineering				
Personnel Services	\$ 304,203	\$ 230,263	\$ 73,940	\$ 302,278
Operating Expenses	9,735	6,509	3,226	23,382
Total Engineering	<u>313,938</u>	<u>236,772</u>	<u>77,166</u>	<u>325,660</u>
Total Plant Operations	<u>4,858,979</u>	<u>3,924,614</u>	<u>934,365</u>	<u>3,034,185</u>
Administration				
Buildings and Grounds - Plant				
Personnel Services	-	-	-	8,639
Operating Expenses	469,709	421,388	48,321	650,046
Total Building and Grounds - Plant	<u>469,709</u>	<u>421,388</u>	<u>48,321</u>	<u>658,685</u>
Buildings and Grounds - Service Center				
Personnel Services	84,906	69,582	15,324	73,962
Operating Expenses	73,745	56,894	16,851	59,881
Total Buildings and Grounds - Service Center	<u>158,651</u>	<u>126,476</u>	<u>32,175</u>	<u>133,843</u>
Board Services				
Personnel Services	12,967	6,739	6,228	10,108
Operating Expenses	9,200	8,633	567	13,990
Total Board Services	<u>22,167</u>	<u>15,372</u>	<u>6,795</u>	<u>24,098</u>
Finance				
Personnel Services	365,552	227,370	138,182	296,411
Operating Expenses	223,290	208,581	14,709	117,718
Total Finance	<u>588,842</u>	<u>435,951</u>	<u>152,891</u>	<u>414,129</u>
District Management				
Personnel Services	258,745	204,743	54,002	271,555
Operating Expenses	82,245	59,985	22,260	40,443
Total District Management	<u>340,990</u>	<u>264,728</u>	<u>76,262</u>	<u>311,998</u>
Information Technology				
Personnel Services	104,821	82,512	22,309	111,602
Operating Expenses	203,396	190,103	13,293	182,906
Capital Outlay	24,000	24,000	-	-
Total Information Technology	<u>332,217</u>	<u>296,615</u>	<u>35,602</u>	<u>294,508</u>
Total Administration	<u>1,912,576</u>	<u>1,560,530</u>	<u>352,046</u>	<u>1,837,261</u>

(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, 2019

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

	2019		VARIANCE Positive (Negative)	2018
	ORIGINAL AND FINAL BUDGET	ACTUAL		ACTUAL
Debt Service				
Principal Payments	\$ 643,046	\$ 610,429	\$ 32,617	\$ 571,749
Interest and Fiscal Charges	79,612	43,219	36,393	107,850
Total Debt Service	<u>722,658</u>	<u>653,648</u>	<u>69,010</u>	<u>679,599</u>
Capital Reserves				
Capital Outlay	<u>108,198</u>	<u>-</u>	<u>108,198</u>	<u>-</u>
TOTAL EXPENDITURES	<u>7,602,411</u>	<u>6,138,792</u>	<u>1,463,619</u>	<u>5,551,045</u>
CHANGE IN NET POSITION, Budgetary Basis	<u>\$ 294,117</u>	<u>588,047</u>	<u>\$ 293,930</u>	<u>278,121</u>
ADJUSTMENTS TO GAAP BASIS				
Unearned Revenue:				
Sewer Service Charges - Prior Year		381,707		406,735
Sewer Service Charges - Current Year		(405,638)		(381,707)
Capital Outlay		1,265,622		90,889
Depreciation		(778,551)		(855,648)
Principal Payments on Long-term Debt		610,429		571,749
Gain (Loss) on Disposal of Capital Assets		-		12,527
CHANGE IN NET POSITION, GAAP Basis		<u>1,661,616</u>		<u>122,666</u>
NET POSITION, Beginning, As Restated		<u>17,408,179</u>		<u>17,285,513</u>
NET POSITION, Ending		<u>\$ 19,069,795</u>		<u>\$ 17,408,179</u>

See the accompanying Independent Auditor's Report.