

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

Gilpin County, Colorado

Financial Statements

For the Years of December 31, 2016 and 2015

(With Independent Auditor's Report Thereon)



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BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Black Hawk – Central City Sanitation District
Black Hawk, Colorado

Report on the Financial Statements

I have audited the accompanying financial statements of the business type activities of Black Hawk – Central City Sanitation District (the District) of Gilpin County, Colorado as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 audit 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, I express no such opinion. An audit also includes evaluating the appropriate accounting policies used and the reasonableness of significant accounting estimates made by managements, as well as evaluating the overall presentation of the financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the statements of net position of Black Hawk – Central City Sanitation District of Gilpin County, Colorado as of December 31, 2016 and 2015 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6, the schedule of the District's proportionate share of the net pension liability and schedule of employers' contributors on pages 38-39 be presented to supplement the basic financial statements. Such information, although not 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 historic context. I 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 responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures- budget to actual (budget basis) is presented for purposes of additional analysis and is not a required part of the financial statement.

The schedule of revenues and expenditures- budget to actual (budget basis) are the responsibility of management and was derived from and relate 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 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Jack Salewski, CPA

Littleton, Colorado

June 26, 2017

BLACK HAWK-CENTRAL CITY SANITATION DISTRICT

**FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISSCUSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2016

This Management’s Discussion and Analysis (“MD&A”) is designed to provide a narrative overview of the financial condition and operating results of the Black Hawk- Central City Sanitation District (“The District”). This MD&A should be read in conjunction with the District’s basic financial statements, notes to the financial statements, and supplementary information (beginning on page 1).

The District treats waste water to customers primarily in Gilpin County, Colorado.

Overview of The Financial Statements

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado, governed by Colorado revised Statues Title 32 Special Districts, engaged only in a business type activity. As an enterprise fund, the District’s financial statements include:

Statements of Net Position- report the District’s current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating. (See page 7).

Statements of Revenues, Expenses and Changes in Fund Net Position- report the District’s operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions. (See page 9).

Statements of Cash Flows- report the District’s cash flows from operating, investing, capital and non-capital activities. (See page 10).

Notes to the Financial Statements (See page 12) provide additional required disclosures that are essential to a full understanding of the data provided in the financial statements.

Schedule of Revenues and Expenditures- Budget and Actual (Budgetary Basis) (See page 42) reports the budgeted revenue and expenditure activities as compared with actual activities. Though this schedule is not required by GAAP to be part of the audited financial statements, it is added for review as other supplementary information.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISSCUSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2016

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016

- Total Net Capital assets, after Accumulated Depreciation Expense decreased by \$273,737.
- Total Net Position increased by \$201,798.
- Depreciation Expense was in the amount of \$1,105,756.
- Total Liabilities increased by \$461,240.
- Current Portion of Long Term Debt Was Paid off in 2015. The District Has No Debt.
- Operating Revenues decreased by \$221,797.

The purpose of this section is to provide non-technical information, so that the average District “citizen” 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

Black Hawk – Central City 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 within or owning property within our boundaries are eligible to vote on who is to sit on the Board of Directors. Only people 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. The District provides collection system and waste water treatment services. The waste water system services about 500 residences and 52 businesses (mostly casinos) within a 20 square mile service area. The District recovers cost of service through user fees.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISSCUSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2016

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Statement of Net Position (page 7) include information on the District’s assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations of District creditors (liabilities). The Statement of Revenues, Expenses and Changes in Fund Net Position (page 9) identifies the District’s revenues and expenses for the fiscal year ended December 31, 2016. The third financial statement is the Statement of Cash Flows (page 10). This statement provides information on the District’s cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance 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 Statements of Net Position and the Statements of Revenues, Expenses and Changes in Total Assets. For 2016, the District’s current assets (cash and equivalent) show a decrease. Current Assets, which is considered to be an asset that consists of cash and other resources and is reasonably expected to be realized in cash or consumed within one year, increased by \$916,075. Total Assets, which is defined as the total resources owned by the District, increased by \$625,035. A large majority of total assets of the District resides within our system of pipelines, and the Wastewater Treatment Plant. In order to maintain an acceptable accounting standard of reporting, the District annually makes an adjustment of “Accumulated Depreciation” for these types of assets. In 2016, the District had \$1,105,756 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.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISSCUSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2016

REVENUES

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

Condensed Comparative Statement of Revenues

Revenue Source	2016	2015	Change Gain / Loss
Residential and Commercial			
Customers	\$ 121,005	\$ 92,314	\$ 28,691
Gaming Customers	2,522,869	2,773,390	(250,521)
Capital Recovery	7,500	-0-	7,500
Interest Income	40,716	14,038	26,678
Other Revenue	44,436	43,853	583
Total Revenues	<u>\$2,736,526</u>	<u>\$2,923,595</u>	<u>\$(187,069)</u>

Revenue for services decreased by \$221,830.

EXPENSES

Condensed Comparative Statement of Expenses

	2016	2015	Change Gain / Loss
Waste Transmission	\$ 523,069	\$ 400,742	\$ 122,327
Treatment Plant	1,715,565	1,822,864	(107,299)
District Administration	296,094	400,305	(104,211)
Total Expenses	<u>\$2,534,728</u>	<u>\$2,623,911</u>	<u>\$ (89,183)</u>

CAPITAL ASSETS

As of December 31, 2016, the District had capital assets of \$33,824,482. The District received \$7,500 in System Development Fees during Budget Year 2016.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISSCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2016

Condensed Comparative Statement of Net Position

	2016	2015	Change Gain / Loss
Cash and Other Assets	\$ 9,631,944	\$ 8,733,172	\$ 898,772
Capital Assets	33,824,482	34,098,219	(273,737)
Total Assets	<u>\$43,456,426</u>	<u>\$42,831,391</u>	<u>\$ 625,035</u>
Deferred Outflow of Resources	<u>\$ 57,561</u>	<u>\$ 17,024</u>	<u>\$ 40,537</u>
Non-Current Liabilities	\$ 211,332	\$ 176,071	\$ 35,261
Current Liabilities	539,390	113,411	425,979
Total Liabilities	<u>\$ 750,722</u>	<u>\$ 289,482</u>	<u>\$ 461,240</u>
Deferred Inflow of Resources	<u>\$ 50,359</u>	<u>\$ 47,825</u>	<u>\$ 2,534</u>
<u>Net Position</u>			
Invested in Capital Assets Net of Related Debt	\$33,878,887	\$34,153,059	\$ (274,172)
Unrestricted	8,834,019	8,358,049	475,970
Total Net Position	<u>\$42,712,906</u>	<u>\$42,511,108</u>	<u>\$ 201,798</u>

The District implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of December 31, 2015. With the new reporting change, The District is allocated its proportionate share of the Colorado Public Employers’ Retirement Association (PERA)’s net pension liability and pension expense.

Capital Assets represent the longest portion of The District’s Assets (77.84%) and decreased by a net of \$273,737. Depreciation expense was \$1,105,756. Unrestricted net position is the portion of net assets that can be used to finance day to day operations without external constraints of debt covenants, legislation on other legal requirements. As of December 31, 2016, unrestricted net position was \$475,970 more than December 31, 2015.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISSCUSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2016

Condensed Schedule of Revenues-Expenses Budget and Actual

	Budget Original 2016	Actual 2016
Revenues	\$2,438,504	\$2,736,526
Expenses	\$3,546,800	\$2,260,991

REQUEST FOR INFORMATION

This financial report is designed to provide rate papers and creditors with a general overview of the District’s finances and demonstrate the District’s accountability for the monies it receives. If you have any questions about this report or need additional information, please contact:

The Administrator, PO Box 362, Black Hawk, CO 80422.

BASIC FINANCIAL STATEMENTS

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS – ENTERPRISE
 December 31, 2016 and 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Wastewater System Fund	
	2016	2015
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 7,562,879	\$ 6,641,807
Investments	1,404,056	1,400,084
Receivables:		
Customers (Note 2)	19,483	25,056
Others	182	1,456
Property Taxes Receivable – see Deferred Revenue Contra (Note 2)	44,221	42,738
Prepaid Expense	85,123	88,728
Total Current Assets	<u>9,115,944</u>	<u>8,199,869</u>
Non-Current Assets:		
Prepaid Expense Non-Current Assets (Note 2)	516,000	533,303
	<u>516,000</u>	<u>533,303</u>
Capital Assets: (Note 4)		
Non-Depreciable	2,649,285	2,040,870
Depreciable	43,847,922	43,624,318
Less Accumulated Depreciation	(12,672,725)	(11,566,969)
Total Capital Assets Net	<u>33,824,482</u>	<u>34,098,219</u>
Total Non-Current Assets	<u>34,340,482</u>	<u>34,631,522</u>
Total Assets	<u>43,456,426</u>	<u>42,831,391</u>
Deferred Outflows Of Resources		
Contribution of Measurement Date	15,292	7,476
Changes Investment Earnings	40,683	9,548
Changes in Experience	1,586	-0-
Total Deferred Outflow of Resources	<u>57,561</u>	<u>17,024</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS – ENTERPRISE
 December 31, 2016 and 2015

	Wastewater System Fund	
	2016	2015
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 498,669	\$ 72,690
Compensated Absences	40,721	40,721
Total Current Liabilities	<u>539,390</u>	<u>113,411</u>
Non-Current Liabilities:	<u>211,332</u>	<u>176,071</u>
Total Liabilities	<u>750,722</u>	<u>289,482</u>
Deferred Inflow of Resources:		
Deferred Property Tax Revenue	44,221	42,738
Changes in Proportionate Shares	2,260	5,052
Changes in Experience	7	35
Changes in Assumptions	3,871	-0-
Total Deferred Inflows of Resources	<u>50,359</u>	<u>47,825</u>
Net Position:		
Invested in Capital Assets, net of Related Debt	33,824,482	34,098,219
Restricted for Emergencies	54,405	54,840
Unrestricted	<u>8,834,019</u>	<u>8,358,049</u>
Total Net Position	<u>\$42,712,906</u>	<u>\$42,511,108</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS – ENTERPRISE
For the Years December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Sewer User Fees	\$ 2,643,874	\$ 2,865,704
Other	173	140
Total Operating Revenue	<u>2,644,047</u>	<u>2,865,844</u>
Operating Expenses:		
Sources of Supply, Dumping, Treatment and Distribution	1,136,377	1,143,610
General Administrative	292,595	358,017
Depreciation	1,105,756	1,108,196
Total Operating Expenses	<u>2,534,728</u>	<u>2,609,823</u>
Operating Income	<u>109,319</u>	<u>256,021</u>
Non-Operating Revenues (Expenses):		
Property Tax Current	42,342	41,710
Delinquent	-0-	26
Interest and Penalties on Tax	63	134
Specific Ownership	2,828	2,803
Interest Income	40,716	14,038
Interest on Bonded Indebtedness	-0-	(14,088)
Treasurer Fees	(970)	(960)
	<u>84,979</u>	<u>43,663</u>
Net Income before Capital Contribution	<u>194,298</u>	<u>299,684</u>
Capital Contributions:		
Tap Fees	7,500	-0-
Total Capital Contribution	<u>7,500</u>	<u>-0-</u>
Change in Net Position	201,798	299,684
Net Position - Beginning of Year	42,511,108	42,372,179
Cumulative Effect of Adoption of New Accounting Principle	<u>-0-</u>	<u>(160,755)</u>
Net Position - End of Year	<u>\$42,712,906</u>	<u>\$42,511,108</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS – ENTERPRISE
 For the Year December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 2,649,620	\$ 2,873,533
Payments to Employees	(114,465)	(116,572)
Payment to Suppliers for Goods and Services	(1,297,069)	(1,363,494)
Net Cash Provided by Operating Activities	<u>1,238,086</u>	<u>1,393,467</u>
Cash Flows from Capital and Related Financial Activities:		
Contributed Capital – Tap Fees	7,500	-0-
Acquisition of Capital Assets	(406,795)	(19,332)
Principal Payment for Long-Term Debt	-0-	(735,000)
Interest Paid	-0-	(16,538)
Net Cash Used for Capital and Related Financial Activities	<u>(399,295)</u>	<u>(770,870)</u>
Cash Flows from Noncapital and Related Financing Activities:		
Net Property Tax Revenues	45,537	43,130
Net Cash Provided from Noncapital and Related Financing Activities	<u>45,537</u>	<u>43,130</u>
Cash Flows from Investing Activities:		
Interest Received on Investments	40,716	14,038
Purchase of Investments	(3,972)	(1,398,100)
Net Cash Flows From Investing Activities	<u>36,744</u>	<u>(1,384,062)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	921,072	(718,335)
Cash and Cash Equivalents at Beginning of Year	<u>6,641,807</u>	<u>7,360,142</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,562,879</u>	<u>\$ 6,641,807</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS – ENTERPRISE
 For the Years December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Income	\$ 109,319	\$ 256,021
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Other Non-Operating Income:		
Depreciation	1,105,756	1,108,196
Rent and Prepaid Cam Charges	21,600	21,600
Changes in Assets and Liabilities:		
Accounts Receivable	5,573	7,689
Prepaid Expense	1,342	9,875
Accounts Payable	755	(13,883)
Compensated Absences	-0-	3,969
Pension Related Items	(6,259)	-0-
Net Cash Provided by Operating Activities	<u>\$1,238,086</u>	<u>\$1,393,467</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1: ORGANIZATION AND REPORTING ENTITY

Organization

The Black Hawk – Central City Sanitation District (District) was organized under the provisions of the Colorado Revised Statutes for the sole purpose of providing sewer utility service to the citizens of the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial principles. The District's significant accounting policies are described in Note 2.

Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

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

1. Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
2. Fiscal dependency on the primary government and there is potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1: ORGANIZATION AND REPORTING ENTITY (continued)

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an “other stand alone government”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic Financial Statements

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

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statement of net position.

Revenues and expenses are recorded in the accounting period in which they are earned or incurred and they become measureable. Net position is segregated into amounts: net invested in capital assets, restricted for debt service and loan reserves, and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financials administration.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the Board) in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues.

The budget process timeline is as follows:

1. No later than October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financial them.
2. Public hearings are conducted at regular Board meetings to obtain customers comments.
3. Prior to December 31, the budget is legally adopted by the Board.
4. Unused appropriations lapse at the end of each year.

The total appropriated expenditures for the District were \$3,548,000

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less which are available for operating expenditures to be cash equivalents.

Investments

The District's investments in marketable debt and equity securities are carried at fair value plus accrued interest with net appreciation or depreciation on investments. Amounts invested in certificates of deposit, with original maturities of greater than three months, are carried at fair value, including accrued interest.

Allowance for Doubtful Accounts

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2016 or 2015, based on historical collection experience.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues are recognized when waste water services are provided.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing waste water treatment for its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Prepaid Expenses

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

Capital Assets

Capital Assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed when incurred.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Depreciation	<u>Estimated Lives</u>
Transmission and Distribution System	20-40 years
Facilities	20-40 years
Equipment	3-20 years
Furniture and Equipment	3-20 years

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net assets that do not meet the definition of “restricted” or “invested” in capital assets, net of related debt. The District’s Board of Directors did not designate any unrestricted net position to be used for the purchase of equipment in 2016 or 2015.

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2016 through June 26, 2017, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

Compensated Absences

Obligations associated with the District's vacation policy are recorded as a liability and expensed when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is shown as a current liability.

The District has recorded a liability of \$40,721 and \$40,721 at December 31, 2016 and 2015 respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could be material.

Reconciliation of Budget Based Accounting to GAAP Financial

Statements

The District prepares its annual budget on a non-GAAP basis of accounting.

Below is a reconciliation from the GAAP basis to the budget basis of accounting:

	<u>2016</u>
Change in Net Position	\$ 201,798
Add:	
Depreciation	1,105,756
Less:	
Capital Outlay	<u>(406,795)</u>
Excess (Deficiency) of Revenues over Expenditures (Budgetary Basis)	<u>\$ 900,759</u>

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement Implementation

For the year ended December 31, 2016, the District adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which is effective for financial statement periods beginning after June 15, 2015. GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The District's fair value measurements have not changed as a result of the implementation.

NOTE 3: CASH AND INVESTMENTS

Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limited, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act (PDPA) requires state regulators to certify eligible depositories with public deposits in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State.

The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits.

At December 31, 2016 and 2015, the District had deposits with a financial institution with a carrying amount of \$883,283 and \$772,923, respectively. The bank balances with the financial institution were \$902,616 and \$806,351 respectively, which of this amount \$250,000 was covered by federal depository insurance, with the excess in 2016 covered by PDPA.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

The Board of Directors had adopted an investment policy, which specifies investment instruments meeting defined rating, and risk criteria in which the District may invest, which include:

- Direct obligations of the United States with a maximum maturity of five years.
- Obligations of U.S. Government Agencies with a maximum maturity of five years.
- Securities of entities or organizations not listed above, but created by, or authorized to be created by legislation of the U.S. Congress where the issuing agency is subject to control by the federal government.
- General obligations of any state of the United States, the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental agencies. These securities must be rated in the highest two rating category by two or more nationally recognized rating agencies. The period from the settlement date to its maturity shall be no longer than three years.
- The District's own securities including certificates of participation and lease obligations.
- Local government investment pools.
- Repurchase agreements for any of the U.S. Government and agency securities listed above.
- Reverse repurchase agreements for any of the U.S. Government and agency securities listed above.
- Securities lending agreement, subject to certain statutory conditions including that necessary transfer documents must be transferred to the investing public entity.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

- Certain money market funds subject to statutory conditions including registration of the fund under the federal “investment Company Act of 1940”, that the fund seeks to maintain a constant share price.
- Certain guaranteed investment contracts rated in one of the two highest rating categories by two or more nationally recognized securities rating agencies that regularly issue such ratings.
- U.S. dollar denominated corporate or bank security, issued by a corporation or bank organized and operating within the United States; the debt matures within three years; the debt must carry at least two ratings not below “AA- or Aa3” from any nationally recognized rating agencies.

District policy is to hold investments until maturity.

Interest Rate Risk

The District has adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, which is consistent with state statutes. Colorado revised Statutes limit investment maturities to five years or less from the date of purchase.

Local Government Investment Pools

At December 31, 2016 and 2015, the District had invested \$6,679,596 and \$5,868,884, respectively, in Colorado Surplus Asset Trust Fund (CSAFE), a local government investment pool. As an investment pool, CSAFE operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. CSAFE is exempt from registration with the Securities and Exchange Commission. CSAFE rated AAAM by Standard and Poor’s and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities and the highest rated commercial paper. Separate financial statements can be obtained by going to www.CSAFE.com.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

Cash deposits and investments held by the District were as follows at December 31:

	2016	2015
Bank Deposits	\$ 883,283	\$ 772,923
Local Government Investment Pool	6,679,596	5,868,884
Total Cash and Cash Equivalents	<u>\$ 7,562,879</u>	<u>\$ 6,641,807</u>

Investments held by the District at December 31, 2016, were as follows:

	S & P Rating	Moody Rating	Cost	Fair Value	Weighted Average Years to Maturity
Certificate of Deposit	AA+	Aaa	<u>\$1,404,056</u>	<u>\$1,404,056</u>	1.5
Total			<u>\$1,404,056</u>	<u>\$1,404,056</u>	

Fair Value of Investments

The District categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs for an asset or liability.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

The District has the following fair value measurements as of December 31, 2016:

Investments by Fair Value Level:	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Certificate of Deposits	\$1,404,056	\$ 1,404,056	\$ -0-	\$ -0-
CSAFE	6,679,596	-0-	6,679,596	-0-
Total Investments by Fair Value	<u>\$8,083,652</u>	<u>\$ 1,404,056</u>	<u>\$6,679,596</u>	<u>\$ -0-</u>

The District has the following fair value measurements as of December 31, 2015:

Investments by Fair Value Level:	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Certificate of Deposits	\$1,400,084	\$ 1,400,084	\$ -0-	\$ -0-
CSAFE	5,868,884	-0-	5,868,884	-0-
Total Investments by Fair Value	<u>\$7,268,968</u>	<u>\$ 1,400,084</u>	<u>\$5,868,884</u>	<u>\$ -0-</u>

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 4: CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land rights	\$ 2,040,870	\$ -0-	\$ -0-	\$ 2,040,870
Construction in progress	-0-	608,415	-0-	608,415
Total capital assets not being depreciated	<u>2,040,870</u>	<u>608,415</u>	<u>-0-</u>	<u>2,649,285</u>
Capital assets being depreciated:				
Buildings and improvements	27,676,238	-0-	-0-	27,676,238
Improvements other than buildings	15,577,111	-0-	-0-	15,577,111
Machinery and equipment	370,969	223,604	-0-	594,573
Total capital assets being depreciated	<u>43,624,318</u>	<u>223,604</u>	<u>-0-</u>	<u>43,847,922</u>
Less accumulated depreciation:				
Buildings and improvements	(6,401,839)	(693,525)	-0-	(7,095,364)
Improvements other than buildings	(4,886,316)	(391,946)	-0-	(5,278,262)
Machinery and equipment	(278,814)	(20,285)	-0-	(299,099)
Total accumulated depreciation	<u>(11,566,969)</u>	<u>(1,105,756)</u>	<u>-0-</u>	<u>(12,672,725)</u>
Total capital assets being depreciated, net	<u>32,057,349</u>	<u>(882,152)</u>	<u>-0-</u>	<u>31,175,197</u>
Total capital assets, net	<u>\$34,098,219</u>	<u>\$(273,737)</u>	<u>\$-0-</u>	<u>\$33,824,482</u>

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 4: CAPITAL ASSETS (continued)

A summary of capital asset activity for the year ended December 31, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land rights	\$ 2,040,870	\$ -0-	\$ -0-	\$ 2,040,870
Construction in progress	-0-	-0-	-0-	-0-
Total capital assets not being depreciated	2,040,870	-0-	-0-	2,040,870
Capital assets being depreciated:				
Buildings and improvements	27,676,238	-0-	-0-	27,676,238
Improvements other than buildings	15,564,789	12,322	-0-	15,577,111
Machinery and equipment	363,959	7,010	-0-	370,969
Total capital assets being depreciated	43,604,986	19,332	-0-	43,624,318
Less accumulated depreciation:				
Buildings and improvements	(5,708,314)	(693,525)	-0-	(6,401,839)
Improvements other than buildings	(4,487,079)	(399,237)	-0-	(4,886,316)
Machinery and equipment	(263,380)	(15,434)	-0-	(278,814)
Total accumulated depreciation	(10,458,773)	(1,108,196)	-0-	(11,566,969)
Total capital assets being depreciated, net	33,146,213	(1,088,864)	-0-	32,057,349
Total capital assets, net	\$35,187,083	\$(1,088,864)	\$-0-	\$34,098,219

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

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.

Plan Description

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

Benefits

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) 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 percent and then multiplied by years of service credit.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(Continued)

- The value of the retiring employee's member contribution account plus a 100 percent 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 percent of the 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 percent or 100 percent on eligible amounts depending on when contribution were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase of the next three years is the lesser of 2 percent on 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 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent 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.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: PUBLIC EMPLOYEES’ RETIREMENT ASSOCIATION OF COLORADO
(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 employers 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 percent of their PERA-includable salary. Employer Contribution requirements, as a percentage of salary, are summarized in table below:

<u>January 1st through December 31st</u>	<u>2015 & 2016</u>
Employer Contribution Rate	10.00%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as Specified in C.R.S. 24-51-208(1)(f)	(1.02%)
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%
Total Employer Contribution Rate to the LGDTF	<u>12.68%</u>

Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-102(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 \$15,293 for the year ended December 31, 2016.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(Continued)

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

At December 31, 2016, the District reported a liability of \$211,332 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

As of December 31, 2016, the District's proportion was .0191844614% which was a decrease of .0004595728% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the District recognized pension expense of \$11,068. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,586	\$ 7
Net Difference between projected and actual earnings on pension plan investments	40,683	-0-
Changes in proportion and difference between contributions recognized and proportionate share of contributions	-0-	2,260
Contributions subsequent to the measurement date	15,292	-0-
Changes in assumptions or other inputs	-0-	3,871
Total	<u>\$ 57,561</u>	<u>\$ 6,138</u>

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: PUBLIC EMPLOYEES’ RETIREMENT ASSOCIATION OF COLORADO
(Continued)

The \$15,292 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related pensions will be recognized in pension expense as follows:

For the Fiscal Year Ended

December 31, 2017	\$ 8,829
December 31, 2018	9,593
December 31, 2019	9,996
December 31, 2020	7,713

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90-10.10 percent
Long-term investment Rate of Return, not of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07: and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-200 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(Continued)

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

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

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

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

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: PUBLIC EMPLOYEES’ RETIREMENT ASSOCIATION OF COLORADO
(Continued)

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2014, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity-Large Cap	26.76%	5.00%
U.S. Equity-Small Cap	4.40%	5.19%
Non U.S. Equity- Developed	22.06%	5.29%
Non U.S. Equity- Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64 %
Long Duration Gov’t/Credit	0.53%	1.57 %
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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:

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(Continued)

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- 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.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
(Continued)

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

Based on the above actuarial cost method and assumptions, the LDGTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: PUBLIC EMPLOYEES’ RETIREMENT ASSOCIATION OF COLORADO
(Continued)

Sensitivity of the Collective Net Pension Liability to Change in the Discount Rate

The following presents the proportionate share of the collective net pension liability calculated using the discount rate of 7.50 percent as of measurement date, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Discount Rate:	6.5%	7.5%	8.5%
Proportionate share of the net pension liability	\$ 323,994	\$ 211,332	\$ 117,890

NOTE 6: POST EMPLOYEMENT HEALTHCARE BENEFITS

Plan Description

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports. The District contributes to the HCTF, a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 6: POST EMPLOYEMENT HEALTHCARE BENEFITS (Continued)

Funding Policy

The District is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The appointment of the contribution of the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the years ending December 31, 2016, 2015 and 2014, the District's employer contributions to the HCTF were \$1,139, \$1,189, and \$1,167 respectively, equal to their required contributions for each year.

NOTE 7: VOLUNTARY INVESTMENT PROGRAM

Description

Employees of the District who are members of the LGDTF (see Note 5) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available comprehensive annual financial report for the 401(k) Plan.

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 and \$17,500 for the calendar years 2016 and 2015). Catch-up contributions up to \$6,000 and \$6,000 for calendar years 2016 and 2015, respectively, were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC 414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. For the years ended December 31, 2016 and 2015, the 401(k) Plan member contributions were \$8,361 and \$13,066 respectively.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; natural disasters; or environmental liabilities due to the nature of its operations. The District maintains commercial insurance for all risks of loss through the private insurance. Settled claims have not exceeded the District's insurance coverage in any of the past three years.

In addition, the District has completed a vulnerability assessment and updated the emergency response plan, as required by the Environmental Protection Agency of the United States Government.

NOTE 9: TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains, tax, spending, and revenue and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's "fiscal year spending" adjusted for allowable increases based upon inflation and local growth. "Fiscal year spending" is generally defined as expenditures plus reserve increase with certain exceptions. Revenue in excess of the "fiscal year spending" limit must be refunded unless the voters approve retention of such revenue.

Enterprises, defined as government-owned businesses 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.

Tabor requires local governments to establish Emergency Reserves. These reserves must be at least 3% of "fiscal year spending" (excluding bonded debt service). Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved a portion of its December 31, 2016 year-end net position for emergencies as required under TABOR of \$54,405 and \$54,846 which is the approximate required reserve as of December 31, 2016 and 2015.

The District's management believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 10: COMMITMENTS

The District has construction commitments for a sewer line in the amount of \$1,035,700.

NOTE 11: SUBSEQUENT EVENTS

Management of the District has evaluation subsequent events through June 26, 2017, the date the financial statements were available to be issued. There were no material subsequent events that require recognition.

REQUIRED SUPPLEMENTARY INFORMATION

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
 LIABILITY LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.0191844614%	0.0196440342%	0.0203598434%
District's proportional share of the net pension liability	\$ 211,332	\$ 176,071	\$ 167,545
District's covered-employee payroll	116,659	114,412	113,922
Total pension liability	4,762,090,000	4,647,777,000	4,517,239,000
Plan Fiduciary net position	<u>3,660,509,000</u>	<u>3,751,468,000</u>	<u>3,322,306,000</u>
Net pension liability	<u>\$1,101,581,000</u>	<u>\$ 896,309,000</u>	<u>\$ 1,194,933,000</u>

Plan fiduciary net position as a percentage of the total pension liability	76.87%	80.72%	73.55%
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*Information for the prior 7 years was not available to report. However, until a full 10 year trend is compiled, the District will present information for only those years for which information is available.

BLACK HAWK - CENTRAL CITY SANITATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS
 2007 - 2015

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Statutorily Required Contribution	\$ 14,153	\$ 14,781	\$ 14,645	\$ 14,445	\$ 13,624	\$ 13,430	\$ 12,980	\$ 12,623	\$ 11,285	\$ 9,570
Contributions in Relation to the Statutorily Required Contribution	<u>14,153</u>	<u>14,781</u>	<u>14,645</u>	<u>14,445</u>	<u>13,624</u>	<u>13,430</u>	<u>12,980</u>	<u>12,623</u>	<u>11,285</u>	<u>9,570</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-employee Payroll	\$ 111,620	\$ 116,569	\$ 114,412	\$ 113,922	\$ 107,445	\$ 105,916	\$ 102,365	\$ 107,157	\$ 103,529	\$ 95,889
Contribution as a Percentage of Covered-employee Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	11.78%	10.90%	9.98%

SUPPLEMENTARY INFORMATION

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF REVENUE AND EXPENSES – BUDGET AND EXPENSES

For the Year Ended December 31, 2016

	Original And Final Budget	Actual (Non-GAAP Basis)	Variance Positive (Negative)
Revenues:			
Operating:			
Sewer User Fees	\$ 2,188,451	\$ 2,643,874	\$ 455,423
Other	-0-	173	173
Non-Operating:			
Property Tax	42,953	44,263	1,310
Interest Income	7,100	40,716	33,616
Contribution in Aid of Construction	200,000	7,500	(192,500)
 Total Revenues	 <u>2,438,504</u>	 <u>2,736,526</u>	 <u>298,022</u>
 Expenditures:			
Personnel Services	125,000	114,465	10,535
Contractual Services	867,800	638,526	229,274
Materials and Supplies	418,000	313,689	104,311
Other	416,000	362,292	53,708
Capital Outlay	1,720,000	832,019	887,981
 Total Expenses	 <u>3,546,800</u>	 <u>2,260,991</u>	 <u>1,285,809</u>
 Increase in Net Position	 <u>\$(1,108,296)</u>	 <u>\$ 475,535</u>	 <u>\$1,583,831</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT
RECONCILIATION OF THE SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

Reconciliation of budgetary basis accounting to GAAP basis accounting Budgetary basis
Explanation of differences between budgetary basis and GAAP basis:

Revenues:	
Actual (Non-GAAP basis) amount	\$ 2,736,526
Difference budget to GAAP:	
GAAP basis revenue	<u>2,736,526</u>
Expenses:	
Actual (Non-GAAP basis) amount	2,260,991
Difference budget to GAAP:	
Depreciation is an expense for reporting purposes but is not a use of budgetary resources	1,105,756
Capital outlay is an expense of budgetary resources but is not considered an expense for reporting purposes	<u>(832,019)</u>
GAAP basis expenses	<u>2,534,728</u>
GAAP basis increase in net position	<u>\$ 201,798</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF REVENUE AND EXPENSES – BUDGET AND EXPENSES

For the Year Ended December 31, 2015

	Original And Final Budget	Actual (Non-GAAP Basis)	Variance Positive (Negative)
Revenues:			
Operating:			
Sewer User Fees	\$ 2,545,608	\$ 2,865,704	\$ 320,096
Other	-0-	140	140
Non-Operating:			
Property Tax	42,192	43,713	1,521
Interest Income	6,840	14,038	7,198
Contribution in Aid of Construction	2,000,000	-0-	(2,000,000)
Total Revenues	<u>4,594,640</u>	<u>2,923,595</u>	<u>(1,671,045)</u>
Expenditures:			
Personnel Services	122,000	120,541	1,459
Contractual Services	844,542	690,942	153,600
Materials and Supplies	337,000	277,752	59,248
Other	481,946	412,392	69,554
Capital Outlay	1,207,000	19,332	1,187,668
Debt Service:			
Principal Debt Payments	735,000	735,000	-0-
Interest Payment and Fees	16,538	14,088	2,450
Total Expenses	<u>3,744,026</u>	<u>2,270,047</u>	<u>1,473,979</u>
Increase in Net Position	<u>\$ 850,614</u>	<u>\$ 653,548</u>	<u>\$ (197,066)</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

RECONCILIATION OF THE SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL

For the Year Ended December 31, 2015

Reconciliation of budgetary basis accounting to GAAP basis accounting Budgetary basis
Explanation of differences between budgetary basis and GAAP basis:

Revenues:	
Actual (Non-GAAP basis) amount	\$ 2,923,595
Difference budget to GAAP:	
GAAP basis revenue	<u>2,923,595</u>
Expenses:	
Actual (Non-GAAP basis) amount	2,270,047
Difference budget to GAAP:	
Principal payments on notes payable for expenses of budgetary resources, but are not considered expenses for reporting purposes	(735,000)
Depreciation is an expense for reporting purposes but is not a use of budgetary resources	1,108,196
Capital outlay is an expense of budgetary resources but is not considered an expense for reporting purposes	<u>(19,332)</u>
GAAP basis expenses	<u>2,623,911</u>
GAAP basis increase in net position	<u>\$ 299,684</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF PROPERTY TAXES
For the Year Ended December 31, 2016

	Assessed Value	Mill Levy	Budget	Actual	Percent
2006	212,780,260	.168	35,719	35,726	100.0
2007	229,093,530	.168	38,487	38,410	99.8
2008	255,662,180	.168	42,951	42,852	99.8
2009	254,315,476	.168	44,725	43,776	97.9
2010	291,809,509	.168	49,024	47,925	97.8
2011	288,553,571	.168	48,477	48,221	99.0
2012	256,315,476	.168	43,061	42,772	99.3
2013	257,927,894	.168	44,306	42,989	97.0
2014	248,851,715	.168	41,808	41,723	99.8
2015	248,461,730	.168	41,742	41,710	99.9
2016	268,328,494	.159	42,738	42,342	99.1
2017	263,220,830	.168	44,221		