

**FRISCO SANITATION DISTRICT  
FRISCO, COLORADO**

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FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION  
WITH  
INDEPENDENT AUDITOR'S REPORT

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December 31, 2016



**RECEIVED**

*By Justin L. Smith at 8:53 am, Apr 11, 2017*

**FRISCO SANITATION DISTRICT  
FRISCO, COLORADO**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Frisco Sanitation District  
Frisco, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Frisco Sanitation District, as of and for the year ended December 31, 2016 which collectively comprises 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 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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 business-type activities of the Frisco Sanitation District, as of December 31, 2016 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Report on Other Legal and Regulatory Requirements

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I through V 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Watson Coon & Associates P.C.*

Watson Coon & Associates P.C.

Greenwood Village, Colorado  
March 6, 2017

## **Management's Discussion and Analysis**

The mission of the Frisco Sanitation District is to make sewage collection and treatment decisions providing a quality wastewater product at a reasonable price.

### **Audit Assurance**

The District is responsible for financial statements and related information. Independent external auditors audit the District's books yearly for the purpose of expressing an opinion on the financial statements. The District contracts with an outside accountant to assist the District Office Manager with the daily accounting. The District believes this procedure provides reasonable assurance the District's business is conducted in compliance with District policies.

The opinion of the independent external auditors, Watson Coon & Associates P.C. is included in this report. This section offers management's discussion and analysis of the District's financial condition and activities for the year ending December 31, 2016.

### **Responsibility and Control**

The District prepared the financial statements and information included in this report. Internal accounting controls are maintained to provide reasonable assurance that assets are safeguarded. Books and records reflect authorized transactions. The District believes the internal accounting controls maintain an appropriate cost/benefit relationship.

Staff, an outside accountant and the Board of Directors evaluate internal controls. Independent external auditors evaluate certain elements of the internal controls in order to express an opinion on the financial statements.

The Board of Directors meets bimonthly to go over expenditures. They meet annually with staff and the independent external auditor to ensure procedures are being followed. The Board meets in September to discuss and adopt a budget for the coming year.

The Board believes these procedures provide guidance and reasonable control that the District's management, accounting and operations are conducted in accordance with a high standard of business ethics. In the District's opinion, the financial statements represent fairly the financial position of the District in accordance with the accounting principals generally accepted by the State of Colorado.

### **Financial Highlights**

The District is a tax-free debt-free utility in a decent financial position. User fees cover operational and routine capital costs. Construction projects are funded from existing cash reserves.

- The District treated 218 million gallons of wastewater in 2016.

- The District hydro jetted approximately 1/3 of the collection system in 2016. Any excess foreign material was removed from the collection system by District staff. Small sections were also CCTVed for closer inspection of the integrity of the lines.
- The District enjoyed a continued uptick in taps sales as the economy remains strong, sales of system investment fees were over 176% of projections.
- The District increased System Investment Fees to \$10,000 per EQR, beginning 1/1/2016. The SIF fee for non-residential is assessed at \$8,500/EQR in an attempt to not inhibit business growth.
- User fee collections increased slightly as construction projects from previous years were granted certificates of occupancy.
- The District increased user fees 10% for 2017. No further increases will be considered until 2020.
- The District upgraded many components of the treatment plant in 2014/2015. These upgrades saw their first full year of use in 2016 and have been performing well. The improvements to the District's nutrient removal capabilities is noteworthy.
- The District disposed of 132 dry metric tons of biosolids. The entirety of this amount was transported to Climax mine for composting and subsequently land applied to assist in their reclamation efforts.
- The transition to a new District Manager was complete in the beginning of 2016.
- The utility operates solely as an enterprise fund funded by user and tap fees.
- The District is at this time in good financial shape for a small district of 4,752 EQRs.
- Build out projections have indicated that build out of the district will require approximately 6,060 EQRs to serve the current district as well as anticipated future development. The District has sold 4,752 EQRs which is 78% of the available capacity within the treatment plant. With the probability of upcoming large scale development careful consideration must be made about possibility of increasing the treatment plant's capacity in the future. It should also be noted that the sale of the System Investment Fees is a large funding source for plant upgrades and the sale of these fees will begin to taper off as build out approaches.
- Summit County Government has obtained the property on the Dam Road known as the Hill Property and the current projection is to develop the property with affordable housing units numbering over 400. A comprehensive collection system capacity study was conducted in the Summer of 2016. It was discovered that some improvements to that stretch of sewer line is necessary to accommodate the addition of Lake Hill. As the development project progresses a more in depth study of plant capacity will need to be conducted to ensure long term viability of the District's treatment plant. Consideration to the ultimate buildout of our current service area will be important when calculating future treatment plant capacity requirements
- A collection system capacity study was performed to analyze the impacts of development on the Dam Rd. to the main interceptor that runs the length of Summit Blvd.

- 2.03 acres for vacant land adjacent to the treatment plant has been purchased for future expansions or buffer area.
- Budgeted Operating Revenues were \$ 2,205,250
- Budgeted Operating Expenses were \$ 1,532,950
- Budgeted Routine Capital Expenses \$ 204,000
- Budgeted Capital Special Projects \$ 398,250
- User fees cover the cost of routine operation and maintenance expenses. Including the 10% user fee increase FSD user fees continue to be the third lowest in Summit County.

The Budget Analysis in the Supplementary Information compares revenues and expenses. All of the current year's expenses and revenues are accounted for. The District's user fees cover all operational and routine maintenance expenses. System investment fees are totaled as part of the revenue stream and uses include capital treatment plant and collection system expenses above routine capital expense.

1. Operating Revenues are 1% favorable compared to budget.
2. Operating Expenses are 27% favorable compared to budget.
3. Non-Operating Revenues are 31% unfavorable compared to budget.

In 2016 there were a few notable variances. These variances were the most prominent in the operating expenses and the non-operating revenues, both were favorable as compared to the budget. In discussing the operating expenses, the largest of these variances occurred in the Salaries and Benefits, Repairs and Maintenance, and Capital Outlay line items. A large salary expense that was budgeted for 2016, was paid in 2015 and there happened to be a surplus in both repairs and capital equipment expenses that were not needed during the 2016 budget cycles as no large equipment repairs or replacement was required. Non-operating revenues were higher than budgeted due to robust development in the Frisco area and a strong increase in system investment fee income.

### **Required Financial Statements**

Colorado Local Government Law requires the District to have an annual audit of financial statements included in this report. The financial statements report information about the District's accounting methods. These statements offer short and long term financial information.

The Financial Statements report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principals that are generally accepted in the United States of America. The Statement of Net Assets includes information on the District's assets and liabilities, providing information about the nature and amounts of investments in resources (assets) and the obligations to the District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Assets identify the District's revenues and expenses for December 31, 2016. The statement provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third

financial statement is the Statement of Cash Flows. The 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 may obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance for each year.

### **Financial analysis of The District**

The Statements of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide an indication of the District's financial condition and also indicate that the financial condition for the District remained stable during the last fiscal year. The District net assets reflect the difference between assets and liabilities. An increase in net assets over time indicates improvement in financial condition.

The Supplemental schedules include a Schedule of Revenues, Expenses and Changes in Net Assets-Budget (non-US GAAP Basis) and Actual. The schedule is other supplementary schedule by accounting principles generally accepted in the United States of America. They are presented for management analysis and legal compliance only. Financial statements are audited and adjusted, if necessary, during the independent audit process.

### **Summary of Organization and Business**

The District is a public, non-profit organization created in 1967 providing wastewater collection and treatment for the Frisco Colorado area served by an elected five-member Board of Directors. The District serves the Town of Frisco and surrounding unincorporated areas of Summit County.

The Board of Directors is:

Ron Drake	Board President
Colleen Richmond	Vice President
Cheryl Thompson	Treasurer
Jamie Haass	Secretary
Bill Petty	Director

District infrastructure assets include the treatment plant, twenty miles of collection system and seven pumping stations. The District receives no financial support from the Town of Frisco. Enterprise revenues are derived from user fees, system investment fees and interest on investments. The District is a tax-free entity.

### **Conclusion**

The treatment plant went through major upgrades in 2015, in 2016 District staff was fully able to fully utilize the improvements. The improvement in the ability to remove nutrients, particularly nitrogen, is greatly improved. These improvements were made to

replace aging infrastructure as well as enhance the treatment capabilities in response to upcoming water quality regulations. In its first full year of operation it has shown that it is capable of high levels of treatment. The current treatment plant is thought to be able to accommodate the buildout within the current District boundaries, however, large scale housing developments or redevelopment to higher density type structures may necessitate plant expansion in the future. A study to realize the impacts of the large development projects like Lake Hill would be prudent to analyze the potential for plant expansion.

The District is presently in good financial shape for a small sanitation district. Sanitation District rate payers pay no taxes. Even after the large expenditures from the major plant rehabilitation the District still has in excess of 4.2 million dollars in cash reserves. A recent boom in development in the Frisco area has added to reserves.

The District's financial condition can be attributed to a small multitalented utility staff and a forward-thinking Board of Directors. An efficient, dedicated staff of 5 full time employees and 1 part employee keep the utility operating smoothly.

Looking forward there are a few things to consider for long range financial planning. First and maybe the most immediate is how the District and its Board of Directors chooses to approach inclusion of new development. The plant is designed to handle a set amount of flow as well as a set amount of waste. Inclusion of developments may bring the district closer to those thresholds and necessitate the need for a plant expansion for additional capacity. Along with the addition of new development, there is a strong potential for redevelopment in some portions of the service area that will require service and may bring the plant and collection system closer to its capacity.

Along with the need for additional plant capacity there will be a need for additional collection system capacity, portions of the collection system are nearing capacity at their current state and may need upgrading with even the smallest increase of users along their reaches. This upgrading of collection system infrastructure will be important when areas of the current service area get redeveloped and have the need for expanded service from the District.

Another driver would be changes in water quality regulations above the regulations that are known to be forthcoming. This may also necessitate the need for plant expansion in the future.

District staff does a great job in maintaining our buildings, however the District may incur expenses in the near future as aging buildings may need repair or replacement of key components such as roofs and exterior work. Advanced planning and staging of these repairs should not have large impacts of the finances of the District.

The Board of Directors served the District well by upgrading its treatment plant as well as maintaining proper staffing to operate the treatment plant and properly service the collection system. As the District approaches buildout, System Investment Fees will begin to subside and revenue streams may have to shift from tap fees to user fees to

maintain a level that can be used for operations as well as capital projects. The District will be required to monitor these changes and plan appropriately.

This report is designed to provide a general overview of District finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Matt Smith, District Manager, P.O. Box 601, Frisco, Colorado 80443.

FRISCO SANITATION DISTRICT  
FRISCO, COLORADO  
Statement of Net Position  
December 31, 2016

**ASSETS**

**Current assets:**

Cash and Cash Equivalents	\$ 4,045,947
Accounts receivable	8,441
Inventory	32,028
Prepaid expenses	12,698
Current portion of notes receivable	7,745

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<b>Total current assets</b>	<b>4,106,859</b>
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**Property and equipment:**

Land	3,098,815
Treatment plant	22,047,257
Collection, storage and distribution system	5,383,461
Equipment, vehicles and furniture	4,116,416

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Total property and equipment	34,645,949
Less accumulated depreciation	(20,979,388)

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<b>Net property and equipment</b>	<b>13,666,561</b>
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**Other assets:**

Notes receivable	49,776
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<b>Total assets</b>	<b>17,823,196</b>
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**LIABILITIES AND NET POSITION**

**Current liabilities:**

Accounts payable	91,043
Earned benefits payable	18,803
Payroll taxes payable	6,672

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<b>Total current liabilities</b>	<b>116,518</b>
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**Net position:**

Net investment in capital assets	13,666,561
Restricted - maintenance of wetlands	50,000
Restricted - inventory and prepaid expenses	44,726
Unrestricted	3,945,391

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<b>Total net position</b>	<b>\$ 17,706,678</b>
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The accompanying notes are an integral part of this financial statement.

FRISCO SANITATION DISTRICT  
FRISCO, COLORADO

Statement of Revenues, Expenses, and Changes in Net Position  
For the year ended December 31, 2016

<b>Operating Revenues:</b>	
User fees	\$ 1,666,937
Other charges	427
<b>Total operating revenues</b>	<b>1,667,364</b>
<b>Operating Expenses:</b>	
Operations	1,122,324
Depreciation	1,148,257
<b>Total operating expenses</b>	<b>2,270,581</b>
<b>Operating income (loss)</b>	<b>(603,217)</b>
<b>Non-operating revenues:</b>	
System investment fees	365,103
Investment income	22,662
<b>Total non-operating revenues</b>	<b>387,765</b>
<b>Change in Net Position</b>	<b>(215,452)</b>
Net position - beginning of year	17,922,130
<b>Net position - end of year</b>	<b>\$ 17,706,678</b>

The accompanying notes are an integral part of this financial statement.

FRISCO SANITATION DISTRICT  
FRISCO, COLORADO  
Statement of Cash Flows  
For the year ended December 31, 2016

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 1,972,066
Cash received from others	427
Cash paid to suppliers	(558,053)
Cash paid to employees	(588,139)
<b>Net cash provided by operating activities</b>	<b>826,301</b>
<b>Cash flows from capital financing activities:</b>	
System investment fees	380,193
Acquisition of capital assets	(441,840)
<b>Net cash provided (used) by capital financing activities</b>	<b>(61,647)</b>
<b>Cash flows from investing activities:</b>	
Interest on investments	22,662
<b>Net cash provided (used) by investing activities</b>	<b>22,662</b>
<b>Net increase in cash</b>	<b>787,316</b>
Cash and cash equivalents, beginning of year	3,258,631
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,045,947</b>
<b>Non-cash acquisition of capital assets</b>	<b>\$ 77,394</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>	
<b>Operating Income (Loss)</b>	<b>\$ (603,217)</b>
<b>Adjustments to reconcile Operating Income (loss) to cash provided by operating activities:</b>	
Depreciation	1,148,257
Decrease (increase) in:	
Receivables	305,129
Inventory	(468)
Prepaid expenses	(1,601)
(Decrease) increase in:	
Accounts payable and accrued liabilities	(21,799)
<b>Total adjustments</b>	<b>1,429,518</b>
<b>Net cash provided by operating activities</b>	<b>\$ 826,301</b>

The accompanying notes are an integral part of this financial statement.

**FRISCO SANITATION DISTRICT**  
**FRISCO, COLORADO**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**1. Summary of significant accounting policies**

The accounting policies of the Frisco Sanitation District, located in Frisco, Colorado, (the District), conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The following is a summary of the more significant policies consistently applied in the preparation of the financial statements.

**Reporting entity**

The District is incorporated as a separate local government entity under Colorado Revised Statutes. A Board of Directors, consisting of five elected Board members governs the District. As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District provides wastewater services to the Town of Frisco and surrounding unincorporated areas of Summit County.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the Governmental Accounting Standards Board (GASB), Statement No. 61, *The Financial Reporting Entity: Omnibus*, which amended GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

Per GASB 61 the District is not financially accountable for any other organization.

1. **Summary of significant accounting policies (continued)**

**Measurement focus, basis of accounting and financial statement presentation**

The accompanying financial statements are presented in accordance with *GASB Statement No. 34*. The government-wide financial statements (i.e. the statement of net position and the statement of revenues, expenses, and changes in fund net position) report information on the business-type activities of the District, which rely to a significant extent on user fees and charges for support. The statement of activities demonstrates the degree to which expenses of the business-type activities are supported by user fees.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

The District's operations are classified as an Enterprise fund that accounts for the acquisition, operation, and maintenance of activities that are similar to a business. The business-type fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations, the treatment of wastewater. Operating expenses for the fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition, including system investment fees are reported as nonoperating revenues and expenses.

**Assets, liabilities and net position**

**Cash and cash equivalents**

For purposes of the statement of cash flows the District considers cash on hand, demand deposits with an original maturity of twelve months or less to be cash and cash equivalents.

**Fair value of financial instruments**

The District's financial instruments include cash and investments, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net assets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

1. **Summary of significant accounting policies (continued)**

**Assets, liabilities and net position (continued)**

**Inventory**

The District's inventory is stated at cost. Inventory consists of chemicals, and assorted parts that are used during the course of the District's business operations.

**Capital assets**

It is the District's policy to capitalize items that cost more than \$500 and have a useful life in excess of one year. All purchased capital assets are recorded at cost. Major capital outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 50 years. A half-year of depreciation is computed in the year of acquisition. Donated assets are valued at their estimated fair market value when received. Land and construction in process are not depreciated.

**Estimates**

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

**Net Position**

Net Position of the District is classified into three components:

- Net investment in capital assets;
- Restricted net positions, which are non-capital assets that must be used for a particular purpose; and
- Unrestricted net positions, which are the remaining assets not otherwise classified.

The District applies restricted net positions first when both restricted and unrestricted resources are available.

FRISCO SANITATION DISTRICT  
FRISCO, COLORADO  
Notes to the Financial Statements  
December 31, 2016

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1. **Summary of significant accounting policies (continued)**

**Budgetary information**

The District is required by State Statute to adopt a budget for the ensuing year. The District budgets for all its operations, except as explained below. The District follows the following schedule in its budgetary process.

- By October 15; Preliminary budget presented to the Board and advertised in a public record that a budget is available for review.
- By December 15; Property tax mill levies certified to County Commissioners, budget adopted and the funds appropriated for the following year.
- By December 31; if no mill levies are to be certified, budget must be adopted and funds appropriated for the following year.

During the year the Board may authorize supplemental appropriations, if necessary. In 2016, there was no an additional appropriations.

Budgets are prepared using the accrual basis of accounting, except as follows:

- There is no budget provision for depreciation or amortization.
- A budget provision is made for capital outlay costs which are treated as asset additions in the financial statements.

2. **Detailed notes concerning the funds**

**Cash and cash equivalents**

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Colorado Revised Statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2016, the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or were collateralized under PDPA.

Cash and cash equivalents of the District at December 31, 2016 are as follows:

Cash	\$	323,658
COLOTTRUST		2,292,193
CSAFE		1,430,096
	\$	<u>4,045,947</u>

FRISCO SANITATION DISTRICT  
FRISCO, COLORADO  
Notes to the Financial Statements  
December 31, 2016

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2. Detailed notes concerning the funds (continued)

**Investments**

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local state sponsored investment pools. The District invests in two such pools, the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (COLOTRUST) which were both rated AAAM by Standards and Poor's. These investments are not categorized because the investments are not evidenced by securities that exist in physical or book entry form.

Credit risk

The District has adopted a formal investment policy that complies with the Colorado Revised Statutes. The policy specifies investment instruments in which the District may invest including certificates of deposits, and local government investment pools.

Interest rate risk

The District has a formal investment policy that limits investment maturities to five years from the purchase date as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Changes in capital assets**

The changes in capital assets for the year ended December 31, 2016 are as follows:

	Balance January 01, 2016	Additions	Deletions	Balance December 31, 2016
Land	3,098,815	--	--	3,098,815
Treatment plant	21,816,927	230,330	--	22,047,257
Collection system	5,195,335	188,126	--	5,383,461
Equipment, vehicles, and furniture	4,093,030	23,384	--	4,116,416
Construction in process	-	-	--	-
Total	34,204,107	441,840	--	34,645,949
Accumulated Depreciation	(19,831,131)	(1,148,257)	--	(20,979,388)
Net	14,372,976	(706,417)	--	13,666,561

FRISCO SANITATION DISTRICT  
FRISCO, COLORADO  
Notes to the Financial Statements  
December 31, 2016

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2. Detailed notes concerning the funds (continued)

Notes receivable

	<u>Current</u>	<u>Long-Term</u>
During 1997 - 2003 the district extended service lines into the residential subdivisions Bills Ranch, Evergreen, Frisco Heights, and Wiborg Park. The cost of these lines was apportioned to the properties benefited. For those that requested it, the District financed their share of the cost over 10 years at 5% per annum with quarterly payments of principal and interest required.	\$2,618	\$23,704
An "affordable housing project" was built in the District's service area during 1997. The total system investment fee for this project was \$168,000. After a 50% down payment, the District agreed to finance the balance over 30 years at a 3% interest rate.	5,127	26,072
	<u>\$7,745</u>	<u>\$49,776</u>

Pension obligations

At the present time, District employees participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by PEBSCO. This plan is a defined contribution plan that requires a minimum of \$25 per month for an employee to participate. This plan allows the employee to contribute up to the lesser of 25% of their salary or \$9,000 per year, including District matching funds. Employees are not required to contribute to the plan. If they do not contribute, this results in the employee accumulating only the District's contribution. The District contribution is based on years of service for each employee as follows: 1% of salary in year 1, 4% in year 2, 5% in year 3, 6% in year 4, and 7% for year 5. The District contribution is capped at 7%. For 2016, the District's total pension costs were \$52,848. The District has no administrative or fiduciary control over the funds in this plan. Accordingly, the District does not report the plan assets and corresponding liability in its financial statements, in accordance with GASB Statement No. 32.

Earned Benefits Payable

Annual leave - Employees earn 80 hours for their first full year of service, then 80 hours plus eight additional hours for each additional year of service. Employees may accumulate up to 240 hours. Upon leaving the employment of the District, an employee is paid for all accumulated annual leave up to a maximum of 240 hours. The annual leave accounts for \$14,373 of the earned benefits payable.

2. **Detailed notes concerning the funds (continued)**

**Earned Benefits Payable (continued)**

Sick leave - Employees earn 10 hours per month. In January, when an employee has accumulated over 300 hours of sick leave by December 31<sup>st</sup> of the prior year, they may convert those hours in excess of 300 at the rate of 1 day of sick leave for a ½ day vacation, enabling them to acquire a maximum of 6 additional days of vacation leave per year. The earned sick leave accounts for \$4,430 of the earned benefits payable.

3. **Other information**

**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, or acts of God. The District covers its exposure to these risks through the use of commercial insurance, except for the deductibles on certain policies, which are insignificant in amount. Settlement amounts have not exceeded insurance coverage during the last three years and there has been no significant decrease in coverage during that period.

**TABOR Amendment**

In November of 1992, Colorado voters approved Amendment 1 to the state Constitution which, is commonly known as The Taxpayer's Bill of Rights or the TABOR Amendment. The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). "Enterprises" are excluded from the requirements of TABOR. "Enterprises" are defined as a government owned business receiving less than 10% of annual revenue in grants from all Colorado and local governments. Grant revenue includes grants as well as property tax revenue received by the District. Based on the definition of an "Enterprise", the District believes that it is in compliance with the provisions of being classified as an "Enterprise" and therefore, is not subject to TABOR.

**Joint venture**

The District, through a joint venture with the Town of Frisco (Town), purchased a culvert cleaner in February 1998 for a cost of \$24,000. The agreement between the Town and the District is that the cleaner is titled in the Town's name and the District is responsible for the storage of the equipment. When the Town and District decide to sell the cleaner, each party will be entitled to receive one-half of the proceeds.

## **Other Supplemental Information**

FRISCO SANITATION DISTRICT  
FRISCO, COLORADO

Schedule of Revenues, Expenses and Changes in Net Position -  
Budget (Non - US GAAP Basis) and Actual  
For the year ended December 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues:</b>			
User fees	\$ 1,636,800	\$ 1,666,937	\$ 30,137
Other charges	8,450	427	(8,023)
<b>Total Operating Revenues</b>	<b>1,645,250</b>	<b>1,667,364</b>	<b>22,114</b>
<b>Operating Expenses:</b>			
Salaries and benefits	769,350	588,139	181,211
Utilities	210,000	184,295	25,705
Chemicals and supplies	154,300	128,090	26,210
Repairs and maintenance	154,500	51,102	103,398
Sludge disposal	65,000	42,914	22,086
Insurance	50,000	44,520	5,480
Legal & Audit	21,000	18,992	2,008
Permits	35,000	15,919	19,081
Office supplies	20,300	14,198	6,102
Education	6,000	328	5,672
Miscellaneous	6,300	10,073	(3,773)
Telephone	8,000	6,339	1,661
Freight and postage	6,500	6,428	72
Consultants	7,000	5,194	1,806
Trash service	3,000	2,230	770
Printing and Legal notices	3,200	789	2,411
Bank service charge	1,500	1,788	(288)
Memberships and registration	2,000	986	1,014
Contingency	10,000	--	10,000
Capital outlay	602,250	441,840	160,410
<b>Total Operating Expenses</b>	<b>2,135,200</b>	<b>1,564,164</b>	<b>571,036</b>
<b>Non-Operating Revenues:</b>			
System investment fees	200,000	365,103	165,103
Investment income	10,000	22,662	12,662
<b>Total Non-Operating Revenues</b>	<b>210,000</b>	<b>387,765</b>	<b>177,765</b>
<b>Net income (loss) - non-US GAAP budgetary basis</b>	<b>\$ (279,950)</b>	<b>\$ 490,965</b>	<b>\$ 770,915</b>
<b>Adjustments to US GAAP basis:</b>			
Add:			
Capital outlay		441,840	
Less:			
Depreciation expense		(1,148,257)	
<b>Total adjustments to US GAAP basis</b>		<b>(706,417)</b>	
<b>Net income (loss) - US GAAP basis</b>		<b>\$ (215,452)</b>	