cPa DIXON, WALLER & CO., INC.

CUCHARAS SANITATION AND WATER DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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July 27, 2018

CUCHARAS SANITATION AND
WATER DISTRICT
CUCHARA, COLORADO
DECEMBER 31, 2017

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FINANCIAL SECTION

cPa DIXON, WALLER & CO., INC. CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Cucharas Sanitation and Water District
Cuchara, Colorado 81055

We have audited the accompanying financial statements of the business-type activities of Cucharas Sanitation and Water District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 opinions 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 from 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 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 opinions.

Opinions

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 Cucharas Sanitation and Water District as of December 31, 2017, and the changes in financial position and cash flows thereof for the year 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 and pension trend data on pages i through vi and 27 through 28 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cucharas Sanitation and Water District's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dixon, Waller & Co, PC.

June 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Cucharas Sanitation and Water District
for the year ending December 31, 2017

As Management of the Cucharas Sanitation and Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017. In order to enhance understanding of the District's financial performance, this discussion and analysis should be read in conjunction with the Independent Auditor's Report, the financial statements, and the accompanying notes, which follow this section.

The District implemented GASB 68 as required in 2015. The net pension liability at December 21, 2017 was $473,517. Under GASB 68 the District's proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association is recorded as a liability of the District.

FINANCIAL HIGHLIGHTS

• Cucharas Sanitation and Water District's assets and deferred outflows exceeded liabilities and deferred inflows by $8,087,669 (net position) at the end of 2017. Of this amount, $1,048,081 may be used to meet the government's ongoing obligations to citizens and creditors, including construction purposes. The remaining $7,039,588 is invested in capital assets or is restricted by law.

• Total liabilities, including long-term debt, increased by $46,908 at 2017 year-end from total 2016 liabilities. This increase in liabilities is primarily due to the increase in pension liability. Without this increase, our liabilities would have decreased by $54,261.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements contain three components:

1) Government-wide Financial Statements, 2) Notes to the Financial Statements, and 3) Budgetary Comparisons.

Government-wide Financial Statements: The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows, and liabilities, with the difference reported as net position, some portions of which are restricted in accordance with debt covenants and other restrictions as required by the Colorado Revised Statutes. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating. It should be noted that other non-financial factors must be considered when assessing the overall health of the District. These include measures of the quality of service that the District provides to the Cuchara community, general condition of the sewer and water systems and local economic variances.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the government's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The *Statement of Cash Flows* reports receipts, cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and related financing activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during 2017.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Budgetary Comparisons: Cucharas Sanitation and Water District adopts an annual appropriated budget for its operations. A budgetary comparison statement has been provided to demonstrate compliance with the adopted budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following condensed financial information derived from government-wide financial statements includes comparisons with the fiscal year 2016.

Net position: As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2017, assets and deferred debt refunding exceeded liabilities by $8,087,669. The District's net position decreased by $204,587 between years 2016 and 2017 primarily due to pension liability and depreciation expense. The following table provides a summary of the District's net position at December 31, 2017 and December 31, 2016.

	2017	2016
Assets:		
Current and other assets	$1,705,728	$1,670,620
Capital Assets	$7,512,403	$7,778,965
Total Assets	*$9,218,131*	*$9,449,585*
Deferred Outflow of Resources:		
Pension Cost (New in 2015)	$133,737	$101,425
Liabilities:		
Current and other liabilities	$86,508	$83,956
Long-term liabilities	$1,078,575	$1,034,219
Total Liabilities	*$1,165,083*	*$1,118,175*
Net Position:		
Invested in capital assets, net of related debt	$6,850,532	$7,061,726
Restricted for TABOR Reserve	$3,200	$3,200
Restricted - Debt	$185,856	$184,932
Unrestricted	$1,048,081	$1,042,398
Final Net Position	*$8,087,669*	*$8,292,256*

The most significant portion of the District's Net Position (93%) reflects its investment in capital assets. These assets include land and easements, water rights, the office building, three water treatment plants

and one wastewater treatment plant, the distribution and collection systems including the Pinehaven water and sewer systems and the expanded Spanish Peaks subdivision sewer system, furniture, and equipment. These capital assets are used to provide services to citizens; consequently, they are not available for future spending.

Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The District's debt is comprised of three Colorado Water Resources and Power Development Authority loans.

$1,048,081 of Cucharas Sanitation and Water District's net position represents assets which may be used to meet the District's ongoing obligations to citizens and creditors, an increase of $5,683 from 2016.

The following table indicates the changes in net position in 2017 and in 2016:

	2017	2016
Operating Revenues:		
Service Fees	$672,871	$665,871
Property and specific ownership taxes	$115,831	$114,895
Pond augmentation fees	$2040	$5980
Investment earnings	$7322	$6,900
Capital Grant	$5000	$0
Loan Recoveries and Other	$9271	$60,158
Misc. Capital Revenue	$0	$8,736
Total Operating Revenues	*$812,335*	*$862,540*
Operating Expenses:		
Personnel and directors' fees	$299,332	$273,098
Operations and maintenance	$344,688	$261,148
Bad debts	$0	$60,518
Depreciation	$360,015	$363,495
Other operating expense	$27,887	$29,905
Total Operating Expenses	*$1,031,922*	*$988,164*
Capital Contributions - Tap Fees	*$15,000*	*$22,500*
Increase (Decrease) in Net Position	***($204,587)***	***($103,124)***

Revenues decreased in 2017 by $50,205 and expenses increased by $43,758. Key elements in these changes are as follows:

- Revenues from water and sewer service fees decreased due to a Board of Directors decision to lower the cost on commercial rates until a Preliminary Rate Study was conducted. The rate study should be complete by 2018.

- Miscellaneous Operating Revenue and Loan Recoveries decreased $59,623 because the District in 2016 settled on an outstanding loan and received reimbursement for the legal expenses on the court case. No similar funds were received in 2017.

- Pond Augmentation Fees are set at levels that reimburse the District's costs for the program. Currently there are 19 pond owners who continue to use this service; no additional owners requested this service in 2017 as they had in 2016 resulting in a decrease in revenues of $3,940.

- In 2017 the District received a $5,000 grant from Huerfano County towards the cost of a Sewer Chlorine Contact Chamber.

- 2017 year-end cash balances in banks and investments increased $29,600 from 2016 year-end. This trend is expected to continue as the Board of Directors and the staff is committed to continue to streamline processes and find ways to be more cost efficient.

- Legal Expense increased $24,897 (82.8%) due to several issues including: 3 water cases, the District's Rules and Regulations updates, a rate study and a recall of a Board of Director President recall.

- Miscellaneous Expenses decreased by $3,194.49 (34.0%) from 2016 due to the District not having to contribute any funds to Huerfano County Water Conservancy District. The Board of Directors did vote to contribute to the Huerfano County Water Conservancy District for the Water Storage Collaborative Study in 2018.

- Utility Expense decreased in 2017 $8,589 (15.2%) due to the staff's commitment to save energy.

- Supplies Expense increased $8,413 from 2016 due to upgrades to the Waste Water Plant lab and extra parts needed to have on hand in order to quickly address situations that may arise.

- Repairs & Maintenance Expense remained relatively stable in 2017 due to the District staff upgrading aging components on a multi-year ongoing basis.

- Personnel costs increased $26,200 in 2017 due to payments of unemployment benefits for one past employee and the cost of living raises for staff.

- Professional Fees increased by $9,136 primarily due to rate studies and mapping

- District Management and Board continue to be involved in planning to build up our reserves to cover future repairs, maintenance and updates to our system as it ages. District Management and Board believe it's essential to maintain a high level of maintenance in order to continue to offer a high level product to our customers.

BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes. In December of 2016, the Board of Directors appropriated $2,440,303 for 2017 expenditures and reserves. The budget was not amended during the calendar year. The following table compares budget (non-GAAP) to actual in 2017 and 2016:

	2017		2016	
	Budget	**Actual**	Budget	Actual
Service Fees	$685,116	$672,871	$681,750	$665,871
Other Operating Revenue	$181,752	$154,464	$197,766	$210,433
Expenditures	($1,119,475)	($673,898)	($856,723)	($691,332)
Net debt service & proceeds	($79,892)	($79,891)	($79,894)	($79,973)
Bad debt expense	$0	$0	$0	($60,518)
Contingency	$0	$0	$0	$0
Net Income (Loss)	***($332,499)***	***$73,546***	**($57,101)**	**$104,999**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Cucharas Sanitation and Water District's investment in capital assets (net of depreciation) at December 31, 2017, totals $7,512,403. This investment includes the following (net of depreciation):

	2017	2016
Land and easements	$158,475	$158,475
Water rights	$652,010	$652,010
Utility plant - system	$6,458,206	$6,753,029
Equipment	$63,863	$70,399
Office building	$63,621	$64,649
Construction in progress	$116,228	$79,841
Total Capital Assets	***$7,512,403***	***$7,778,403***

In 2017, the District began the second phase of the control system upgrade at the Spanish Peaks Water Plant which is expected to be complete mid-summer 2018. The District continued to upgrade equipment at all of the treatment facilities. Maintenance of all back-up generators was a priority in 2017.

The District continues looking into options of ways to preserve the quality of its water source in the event a fire or other natural disaster contaminates its main water supply. The district hired and paid H & H Forestry $7500 to clear and install a fence around Cuchara Water Tank. BH2 Land Surveying surveyed approximately 850' of right away on Britton Road for a new water line installation scheduled for 2018. Approximately $18,000 in materials was purchased to complete the new water line installation on Britton Road.

In 2017, the District has committed to contribute $5,000 to Huerfano County Water Conservancy District for a grant-matching project to make improvements to Huerfano County's Water Storage Collaboration Infrastructure.

Window World was hired and paid $5600 to install new windows at the Cucharas Sanitation and Water District Office.

Debt Administration: December 31, 2017, Cucharas Sanitation and Water District owed $661,871 in long term debt. The following is a listing of District debt at December 31, 2017 and December 31, 2016:

	Maturity Date	2017	2016
CWR&PDA Loan - Pinehaven water project 2006	May 2027	$438,096	$166,670
CWR&PDA Loan - Pinehaven sewer project 2006	May 2027	$153,448	$475,845
CWR&PDA Loan - Cuchara water tank project 2012	May 2033	$70,327	$74,162
Total Long-Term Debt		***$661,871***	***$716,677***

All debts continue to be serviced in a timely manner, using money set aside from operating income and property tax revenues for this purpose.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Cucharas Sanitation and Water District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or for additional financial information should be addressed to the Board of Directors, 16925 State Highway 12, La Veta, Colorado 81055.

BASIC FINANCIAL STATEMENTS

CUCHARAS SANITATION AND WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

	2017
ASSETS	
Current Assets	
Cash and Equivalents	12,892
Cash with County Treasurer	951
Property Tax Receivable	92,094
Accounts Receivable (Net of Allowance for Doubtful Accounts of $0)	8,161
Notes Receivable	-
Inventory	21,833
Prepaid Expenses	19,121
Total Current Assets	155,052
Noncurrent Assets	
Restricted Assets – Cash and Equivalents	
Debt Covenant	185,856
Construction Funds	1,364,820
Total Restricted Assets	1,550,676
Capital Assets	
Land and Easements	158,475
Water Rights	652,010
Utility Plant - System	13,769,854
Equipment	391,455
Office Building	180,149
	15,151,943
Accumulated Depreciation	(7,755,768)
Net Plant in Service	7,396,175
Construction in Progress	116,228
Total Capital Assets	7,512,403
Other Assets	
Deposits	-
Total Other Assets	-
TOTAL ASSETS	9,218,131
DEFERRED OUTFLOW OF RESOURCES	
Pension Costs	133,737

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

CUCHARAS SANITATION AND WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

	2017
LIABILITIES	
Current Liabilities	
Current Maturities - Long-Term Debt	56,813
Accounts Payable	11,819
Accrued Expenses (Interest)	3,932
Prepaid Service Fees	10,944
Tap Fees Collected – Non Service Area	3,000
Deposits	-
Total Current Liabilities	86,508
NonCurrent Liabilities	
Long-Term Debt	605,058
Net Pension Liability	473,517
Total NonCurrent Liabilities	1,078,575
TOTAL LIABILITIES	1,165,083
DEFERRED INFLOWS OF RESOURCES	
Pension Costs	7,022
Property Tax	92,094
Total Deferred Inflows	99,116
NET POSITION	
Net Investment in Capital Assets	6,850,532
Restricted for:	
Emergencies	3,200
Debt	185,856
Unrestricted	1,048,081
TOTAL NET POSITION	8,087,669

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

CUCHARAS SANITATION AND WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2017

	2017
OPERATING REVENUES	
Service Fees	672,871
OPERATING EXPENSES	
Personnel	294,457
Directors' Fees	4,875
Legal and Audit	60,937
Professional Service	47,654
Repair and Maintenance	59,800
Travel and Training	6,338
Utilities	61,892
Office and Telephone	11,375
Insurance	13,652
Other General and Administrative Expense	15,770
Bad Debts	-
Pension Cost	67,270
Depreciation	360,015
	1,004,035
NET LOSS BEFORE OTHER OPERATING ITEMS	(331,164)
Other Operating Revenue (Expense)	
Property Tax - Operating	115,629
Augmentation Fees	2,040
County Treasurer's Fee	(3,133)
Loan Recoveries and Other	9,271
NET INCOME (LOSS) FROM OPERATIONS	(207,357)
Other Non Operating Revenue (Expense)	
Property Tax – Debt Service	202
Interest Earned	7,322
Gain on Sale of Assets	-
Interest Expense	(24,754)
Grants	5,000
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	(219,587)
CAPITAL CONTRIBUTIONS – TAP FEES	15,000
CHANGE IN NET POSITION	(204,587)
NET POSITION, Beginning	8,292,256
NET POSITION, Ending	8,087,669

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

CUCHARAS SANITATION AND WATER DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

	2017
Cash Flows from Operating Activities:	
Receipts from Customers and Users	671,094
Receipts of Taxes and Other	127,142
Payments to Vendors	(395,988)
Payments to Employees	(226,186)
Net Cash Provided (Used) by Operations	176,062
Cash Flows from Capital & Related Financing Activities:	
Property Tax – Debt Service	202
Proceeds – Debt Issued	-
Capital Grants	-
Principal Paid on Long-Term Debt	(54,806)
Interest Paid on Long-Term Debt	(25,085)
Proceeds from Sale of Assets	-
Acquisition & Construction of Capital Asset (Including Construction in Progress)	(94,015)
Grants & Tap Fees	20,000
Net Cash Provided (Used) by Capital and Related Financing Activities	(153,704)
Cash Flows from Investing Activities	
Purchase of Investments	-
Sale of Investments	-
Interest	7,322
Net Cash Provided (Used) in Investing Activities	7,322
Net Increase (Decrease) in Cash	29,680
Cash & Cash Equivalents-Beginning of Year	1,534,839
Cash & Cash Equivalents-End of Year	1,564,519
Reconciliation of Cash Flows from Operating Activities:	
Net Income (Loss) – Operations	(207,357)
Adjustments of Reconcile:	
Depreciation	360,015
Changes in Assets, Liabilities and Deferrals:	
Notes Receivable - (Increase) Decrease	2,500
Accounts Receivable – (Increase) Decrease	(3,542)
Inventory – (Increase) Decrease	1,822
Prepaid Expense – (Increase) Decrease	(18,653)
Other Assets – (Increase) Decrease	562
Accounts Payable – Increase (Decrease)	3,274
Deposits – Increase (Decrease)	(4,163)
Pension Deferrals – Increase (Decrease)	39,839
Prepaid Service Fees – Increase (Decrease)	1,765
Net Cash Provided (Used) by Operations	176,062
Cash Paid for Income Tax	-
Cash Paid for Interest	25,085

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cucharas Sanitation and Water District (the District) is a local government unit created for the purpose of providing water and sanitation services to rate paying customers within a service area allowed by law.

A Reporting Entity

The reporting entity, for financial purposes, is defined as the primary government (the Cucharas Sanitation and Water District) and its component units. The District has no component units; the financial statements are comprised of the funds more fully described in subsequent information contained in the footnotes.

The accounting policies of the Cucharas Sanitation and Water District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

B. Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. All activities of the Cucharas Sanitation and Water District are reported as business-type. Likewise, the *primary government* is reported separately from the District's legally separate *component units* for which the District is financially accountable.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District consists of one major proprietary fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Con't)

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services and ad valorem tax. Operating expenses for the District include the cost of services, administrative expenses, and depreciation on capital assets.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the District as assets with an initial estimated useful life in excess of two year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. An immaterial amount of interest expense was incurred during the current fiscal year and was not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Year
Equipment	5-40

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget for the fiscal year commencing the following January 1 is developed. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.
4. Budgets for the Enterprise Funds are adopted on a budgetary basis not consistent with generally accepted accounting principles (GAAP).

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. All encumbrances lapse at the end of the year.

G. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. The costs of inventories are recorded as expenditures when they are used.

H. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefits Amounts

Accumulated unpaid vacation, sick pay, and other employee benefits amounts should be accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts would not be accrued in governmental funds (using the modified accrual basis of accounting). Accrued vacation and sick leave payable has not been reflected in the financial statements of the Proprietary Funds as it does not exceed normal accumulations and is not material in relation to the financial statements.

I. Property Taxes

Property taxes represent ad valorem taxes levied by the District, which are payable to the County Treasurer, and are recognized as revenue by the District in the year for which they are levied.

Property taxes are levied in December for collection in the subsequent year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on customer accounts receivable. In connection with the determination of the estimated losses on receivables, management evaluates accounts and relies on historical data.

While management uses available information to recognize losses on receivables, further reductions in the carrying amounts of receivables may be necessary based on changes in economic conditions. Because of these factors, it is reasonable possible that the estimated losses on receivables may change materially in the near term. However, the amount of the change that is reasonable possible cannot be estimated.

K. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

L. Long-Term Obligations

In the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as charges in the year incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. District debt refundings are reported as deferred outflows, as well as pension payments not yet charged to expense.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

N. Fund Equity

In the financial statements, funds report restrictions of net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of assets represent tentative management plans that are subject to change.

NOTE 2 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Water Rights	652,010	-	-	652,010
Land and Easements	158,475	-	-	158,475
Construction in Progress	79,841	36,387	-	116,228
Capital Assets Being Depreciated:				
Utility Plant – System	13,718,757	46,833	-	13,765,590
Equipment	390,562	10,795	-	401,357
Office Building	174,511	-	-	174,511
Total Capital Assets Being Depreciated	14,283,830	57,628	-	14,341,458
Less Accumulated Depreciation	7,395,753	360,015	-	7,755,768
Business-Type Activities Capital Assets, Net	7,778,403	(266,000)	-	7,512,403

NOTE 3 CASH AND DEPOSITS

The District's deposits at year end were covered by Federal depository insurance or secured under the Public Deposit Protection Act of the State of Colorado, whereby the custodial bank pledges collateral for amounts on deposit in excess of the amount guaranteed by the FDIC for governmental entities.

	Bank Balance	Carrying Amount
Insured	250,000	250,000
Uninsured, Collateralized Under the Public Deposit Protection Act of the State of Colorado	1,291,138	1,262,155
Sub-Total	1,541,138	1,512,155
Cash with County Treasurer	-	951
Cash Equivalents	-	51,213
Cash on Hand	-	200
Total Cash and Deposits	1,541,138	1,564,519

Cash of $3,200 is restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado. (See Note 6)

Cash Equivalents represent the District's holdings in Colotrust. Colotrust is a liquid asset trust holding pooled investments meeting the legal requirements for Colorado local governments.

As presented above, deposits with a bank balance of $1,291,138 and a carrying balance of $1,262,155 as of December 31, 2017 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

NOTE 4 COMPENSATED ABSENCES

There is not a material liability for compensated absences at December 31, 2017.

NOTE 5 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 maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal year.

NOTE 6 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

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.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future 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 increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1996 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voters approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

In November 2000, the registered voters of the District approved a measure to allow the District to collect, retain and expend all revenues from any source without limitation including the District's existing property tax rate of 8.094 mills. The rate cannot be increased without voter approval.

The District's management believes it is in compliance with the provisions of TABOR. However TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits (and qualification as an Enterprise) will require judicial interpretation.

NOTE 7 LONG-TERM DEBT

The following is a summary of the transactions in the District's long-term debt.

	Balance at 1-1-2017	Additions	Retirements	Balance at 12-31-2017	Due Within One Year
CWR & PDA Loan	642,515	-	50,971	591,544	52,901
CWR & PDA Loan 2012	74,162	-	3,835	70,327	3,912
Total	716,677	-	54,806	661,871	56,813

Long-Term Debt as of December 31, 2017 is comprised of the following:

2006 - Colorado Water Resources and Power Development Authority Loan – The District obtained a loan in 2006 from the Colorado Water Resources and Power Development Authority (CWR & PDA) to extend water and sewer services within the District. The loan was made in the amount of $1,037,000 for a term of 20 year with interest at a rate of 3.75%. Payments began on November 1, 2007 and will be made every six months through May 1, 2027. A schedule of debt service to maturity follows:

Due	Principal	Interest
2018	52,901	21,692
2019	54,903	19,689
2020	56,981	17,611
2021	59,138	15,454
2022	61,377	13,216
2023	63,700	10,892
2024	66,111	8,481
2025	68,613	5,979
2026	71,210	3,382
2027	36,610	686
	591,544	117,082

NOTE 7 LONG-TERM DEBT (Continued)

2012 - Colorado Water Resources and Power Development Authority Loan – The District obtained a loan in 2013 from the Colorado Water Resources and Power Development Authority (CWR & PDA) for construction of a water tank. The loan was made in the amount of $87,000 for a term of 20 year with interest at a rate of 2%. Payments begin on November 1, 2013 and will be made every six months through May 1, 2033. A schedule of debt service to maturity follows:

Due	Principal	Interest
2018	3,912	1,387
2019	3,991	1,308
2020	4,071	1,228
2021	4,153	1,146
2022	4,236	1,063
2023	4,322	978
2024	4,408	891
2025	4,497	802
2026	4,587	712
2027	4,680	620
2028	4,774	526
2029	4,870	430
2030	4,967	332
2031	5,067	232
2032	5,169	130
2033	2,623	26
	70,327	11,811

As a condition of the CWR & PDA debts, the district must certify to the Authority the following information:

1. Compliance with rate covenant – the rate covenant requires that fees charged and collected be at least sufficient each year to pay the sum of amounts required to pay operating and maintenance expenses (as defined) of $531,524 in 2017, 110% of the debt service on these loans of $87,880 in 2017, debt reserve payment of $0 in 2017, subordinate lien debt service of $0 in 2017, and other debt service payable from the above fees of $0 in 2017. The $619,404 total requirement of the covenant was exceeded by fees of $674,911 for the year ended December 31, 2017.

NOTE 7 LONG-TERM DEBT (Continued)

2. Compliance with operations and maintenance reserve covenant – the reserve requirement is estimated to be approximately $160,000 at December 31, 2017 based on Exhibit F of the loan agreement. The District had a maintained reserve account of $185,856 at December 31, 2017.

3. Lien representation – the property pledged for this debt, except as disclosed to the Authority in writing, is free and clear of any pledge, lien, charge or encumbrance.

NOTE 8 STATEMENT OF INCOME - BUDGET (NON-GAAP) AND ACTUAL

	2017		
	Budget	Actual	Variance-Favorable (Unfavorable)
OPERATING REVENUES	685,116	672,871	(12,245)
OPERATING EXPENSES	1,196,067	750,656	445,511
OTHER OPERATING REVENUE (EXPENSE)	142,389	123,807	(18,582)
OTHER NON OPERATING REVENUE (EXPENSE)	36,063	27,524	(8,539)
NET INCOME (LOSS)(NON-GAAP)	(332,499)	73,546	
RECONCILING ITEMS TO GAAP NET INCOME (LOSS)			
Debt Principal		54,806	
Depreciation		(360,015)	
Capital Outlay		94,015	
Pension Cost		(67,270)	
Tap Fees		(15,000)	
Change in Accrued Interest Payable		331	
Gain (Loss) on Disposition of Assets		-	
NET INCOME (LOSS) (GAAP BASIS)		(219,587)	

NOTE 9 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. Cucharas Sanitation and Water 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.

General Information about the Pension Plan

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

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s), under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. 24-51-601, 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.**
- **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.**

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- **Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.**

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

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

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

Contributions. Eligible employees and Cucharas Sanitation and Water 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. The employer contribution requirements are summarized in the table below.

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

	For the Year Ended December 31, 2017
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	12.68%

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Cucharas Sanitation and Water District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from Cucharas Sanitation and Water District were $27,430 for the year ended December 31, 2017.

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

At December 31, 2017, the Cucharas Sanitation and Water District reported a liability of $473,517 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Cucharas Sanitation and Water District proportion of the net pension liability was based on Cucharas Sanitation and Water District contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the Cucharas Sanitation and Water District proportion was .0350664705 percent, which was an increase of .0012 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Cucharas Sanitation and Water District recognized pension expense of $67,270. At December 31, 2017, the Cucharas Sanitation and Water 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	8,427	-
Changes of assumptions or other inputs	33,587	(1,369)
Net difference between projected and actual earnings on pension plan investments	56,867	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	7,425	(5,653)
Contributions subsequent to the measurement date	27,431	N/A
Total	133,737	(7,022)

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

$27,431 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2017	
2018	56,610
2019	26,198
2020	15,935
2021	541
2022	-
Thereafter	-

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

Actuarial Cost Method	Entry Age
Price Inflation	2.40 percent
Real Wage Growth	1.10 percent
Wage Inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 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 (AIR)

Mortality rates were based on the RP-2000 combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2015 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.

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre-and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The long–term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions shown in Note 8. In addition, the following methods and assumptions were used in the projection of cash flows:

- **Updated economic and demographic actuarial assumptions adopted by PERA's board on November 18, 2016.**
- **Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.**

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Cucharas Sanitation and Water District proportionate share of the net pension liability to changes in the discount rate. **The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, 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-percent-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	698,179	473,517	287,472

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

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description **– The Cucharas Sanitation and Water 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 and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.**

Funding Policy **– The Cucharas Sanitation and Water District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Cucharas Sanitation and Water District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2017, 2016 and 2015, the Cucharas Sanitation and Water District contributions to the HCTF were $2,207, $2,168 and $1,958, respectively, equal to their required contributions for each year.**

NOTE 11 COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL

The District is one of approximately 360 special districts which are members of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability and public officials coverage for claims up to $1,000,000. The Pool is self insured for 100% of the first $150,000 of all claims and covered 100% for claims in excess of 150,000 (not to exceed $850,000).

Employment related wrongful termination claims are shared 50% with the Pool up to $200,000 ($100,000 Pool and $100,000 District). The District is responsible for all claims in excess of $200,000.

The District pays annual premiums to the Pool for liability, property and public officials coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from insurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

A summary of the latest available audited financial information for the Pool as of and for the year ended December 31, 2016 is as follows:

Assets	52,645,796
Liabilities	28,757,242
Capital and Surplus	23,888,554
	52,645,796
Revenue	18,932,979
Underwriting Expenses	14,100,230
Underwriting Gain (Loss)	4,832,749
Other Income - Investment	405,790
Other – Change in Non Admitted Assets	(664,948)
Net Income (Loss) and Changes	4,573,591

There is no current or long-term debt outstanding; the above liabilities represent incurred claims and an estimated liability for incurred but not reported claims at December 31, 2016.

NOTE 12 SELF-FUNDED INSURANCE PROGRAM

The District has established a partially self-funded health and dental program. The plan administrators, Century Business Solutions, are responsible for the approval, processing and payment of claims after which they bill the District for reimbursement. The District is responsible for administrative fees.

Claims Incurred But Not Reported

At December 31, 2017, the District had an estimated liability of $1,143. This liability represents reported and unreported claims which were incurred on or before December 31, 2017 but had not been paid by the District at that date. The amounts incurred not reported to the District were estimated using historical cost data provided by the plan administrator. No additional payments for 2017 claims had been made through June 15, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION TREND DATA

CUCHARAS SANITATION AND WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Last 10 Fiscal Years (As Available)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	.0035%	.0338%	0.0397%	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	$473,517	$372,348	$355,725	-	-	-	-	-	-	-
District's covered-employee payroll	$216,330	$212,546	$191,965	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	218%	175%	185%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	73.64%	76.87%	80.72%	-	-	-	-	-	-	-

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

CUCHARAS SANITATION AND WATER DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
For The Last 10 Fiscal Years (As Available)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contributions	$ 27,430	$ 26,951	$ 24,341	$ 27,576	$ 28,767	-	-	-	-	-
Contributions in relation to the contractually required contributions	$ (27,430)	$ (26,951)	$ (24,341)	$ (27,576)	$ (28,767)	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	-	-	-	-	-
District's covered-employee payroll	$ 216,330	$ 212,546	$ 191,965	$ 217,471	$226,830	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.68%	12.68%	12.68%	-	-	-	-	-

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

SUPPLEMENTAL INFORMATION

CUCHARAS SANITATION AND WATER DISTRICT
STATEMENT OF INCOME
BUDGET (NON-GAAP) AND ACTUAL
Year Ended December 31, 2017

	Budget	Actual	Variance-Favorable (Unfavorable)
OPERATING REVENUES			
Service Fees	685,116	672,871	(12,245)
OPERATING EXPENSES			
Personnel	328,125	294,457	33,668
Directors Fees	6,000	4,875	1,125
Legal and Audit	51,145	60,937	(9,792)
Professional Services	54,055	47,654	6,401
Repair and Maintenance	77,475	59,800	17,675
Travel and Training	7,000	6,338	662
Utilities	78,425	61,892	16,533
Office and Telephone	12,450	11,375	1,075
Insurance	14,025	13,652	373
Other General & Administrative	13,075	15,770	(2,695)
Debt Service Principal & Interest	79,892	79,891	1
Capital Outlay	474,400	94,015	380,385
	1,196,067	750,656	445,411
OPERATING LOSS	(510,951)	(77,785)	
OTHER OPERATING REVENUE AND EXPENSE			
Property Tax - Operating	114,814	115,629	815
Augmentation Fees	1,800	2,040	240
Other Capital Revenues	25,000	-	(25,000)
Contingency/Reserves	-	-	-
County Treasurer Fees	(3,300)	(3,133)	167
Bad Debt Expense	-	-	-
Recoveries and Other Revenue	4,075	9,271	5,196
OTHER NON OPERATING REVENUE AND EXPENSE			
Interest Income	6,063	7,322	1,259
Property Tax – Debt	-	202	202
Capital Grants	-	5,000	5,000
Tap and Capital Fees	30,000	15,000	(15,000)
	178,452	151,331	(27,121)
NET INCOME (LOSS)(NON-GAAP)	(332,499)	73,546	
RECONCILING ITEMS			
Depreciation		(360,015)	
Debt Principal		54,806	
Debt Proceeds		-	
Capital Outlay		94,015	
Tap Fees		(15,000)	
Pension Cost		(67,270)	
Gain (Loss) on Disposition of Assets		-	
Change in Accrued Interest		331	
NET INCOME (LOSS)-GAAP BASIS		(219,587)	

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