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MONUMENT SANITATION DISTRICT
BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016 AND 2015



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Monument Sanitation District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Monument Sanitation District as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Monument Sanitation 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Monument Sanitation District, as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 7, budgetary comparison information on pages 37 – 38, the schedule of the District's proportionate share of the net pension liability on page 39, and the schedule of the District's required contributions on page 40 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 audits 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.

Bauerle and Company, P.C.
Bauerle and Company, P.C.
Denver, Colorado

June 21, 2017

MONUMENT SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2016 AND 2015

This section of Monument Sanitation District's (the "District") annual financial report presents an analysis of the District's financial performance during the years ended December 31, 2016 and 2015. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Overview of the Sources and Uses of Revenue.

The District collects user fees from residential and commercial customers. This revenue is used to fund the overhead and operations of the District. Tap fees are assessed to new customers and used for capital improvements to the District collection system and plant expansion. Interest income generated from these funds available for capital improvements is used to fund the District's overhead and operations. When property taxes are collected, they are used to pay the interest and principal on the general obligation bonds only. Also, the District charges rent to tenants for office space and uses these funds to maintain the building and to fund the District's overhead and operations.

In 2013, the District, along with Woodmoor Water and Sanitation District #1 and Palmer Lake Sanitation District, was awarded a cooperative grant to be used for construction improvements and nutrient removal at the Tri-Likes Wastewater Treatment Facilities. All grant funds were utilized and recognized into revenue by the end of 2015, and accordingly, no grant revenue was recognized in 2016.

Current Year Financial Highlights.

- The District's net position increased by \$80,671 or 1.5% from 2015.
- User fees increased \$89,008, or 15.2%, from 2015.
- Total general and administrative expenses decreased \$22,579, or 4.8%, from 2015.

Overview of the Financial Statements.

The financial statements included in this annual report are as follows:

- Statement of Net Position – provides information about the nature and amounts of District assets and liabilities. Net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.
- Statement of Revenues, Expenses, and Changes in Net Position – reports the District's operating and non-operating revenues by major source, along with operating and non-operating expenses, and capital contributions.
- Statement of Cash Flows – provides information about the District's cash receipts, cash payments, and changes in cash resulting from operating activities, financing activities, and investing activities.

MONUMENT SANITATION DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

Statement of Net Position.

Following below is the condensed Statement of Net Position as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Current Assets	\$ 771,238	\$ 788,443
Capital Assets – Net	4,286,906	4,381,228
Non-Current Restricted Assets	42,106	35,046
Investment in Joint Use Facility	2,601,220	2,260,935
Total Assets	<u>7,701,470</u>	<u>7,465,652</u>
Deferred Outflows of Resources	<u>140,629</u>	<u>44,249</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 7,842,099</u>	<u>\$ 7,509,901</u>
Current Liabilities	\$ 541,879	\$ 350,210
Net Pension Liability	404,404	321,902
Revenue Note Payable	<u>355,000</u>	<u>385,000</u>
Total Liabilities	<u>1,301,283</u>	<u>1,057,112</u>
Deferred Inflows of Resources	<u>7,421</u>	<u>65</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,292,804</u>	<u>1,057,177</u>
Net Position		
Invested in Capital Assets – Net of Related Debt	4,286,906	4,381,228
Restricted – Revenue Note Reserve	42,106	35,046
Committed – Reserved for Sludge Removal	20,388	20,388
Unrestricted	<u>2,183,995</u>	<u>2,016,062</u>
Total Net Position	<u>6,533,395</u>	<u>6,452,724</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 7,842,099</u>	<u>\$ 7,509,901</u>

MONUMENT SANITATION DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

Review of Revenues, Expenses, and Changes in Net Position.

Summarized below are the District's revenues, expenses, and changes in net position for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
User Fees	\$ 673,308	\$ 584,300
Investment Revenue	16,641	16,953
Gain from Joint Use Facility	340,285	548,926
Grant Revenue	-	303,818
Other Revenue	<u>10,118</u>	<u>13,666</u>
Total Revenues	<u>1,040,352</u>	<u>1,467,663</u>
Operation and Maintenance Expense	551,861	930,397
Depreciation Expense	194,020	193,569
General and Administrative Expense	<u>452,600</u>	<u>475,179</u>
Total Expenses	<u>1,198,481</u>	<u>1,599,145</u>
(Loss) Before Capital Contributions Reserved for Sludge Removal	(158,129)	(131,482)
Fund Expenditure	-	(35,351)
Capital Contributions – Tap Fees	<u>238,800</u>	<u>189,000</u>
Increase in Net Position	80,671	22,167
Net Position – Beginning of Year	<u>6,452,724</u>	<u>6,430,557</u>
Net Position – End of Year	<u>\$ 6,533,395</u>	<u>\$ 6,452,724</u>

The District typically generates a net (loss) from operating activities. This is due to the depreciation expense charged to operations from capital improvements. Additions to capital improvements are reflected as non-operating revenue and expenses in the year of cash outlay.

Budgetary Highlights.

There were significant variations between budgeted and actual revenues and expenses for the year ended December 31, 2016. Actual expenses were below budgeted amounts by \$1,101,150, and actual revenues were below budgeted amounts by \$627,024. The significant differences between actual and budgeted revenue was due to grant revenue, which was under budget by \$850,000, and user fees and tap fees which were over budget by \$44,517 and \$188,800, respectively. Significant differences between actual and budgeted expenses were joint use fees, capital improvements (JUC and District) and contingency which were under budget by \$90,490, \$907,099, and \$48,770, respectively.

MONUMENT SANITATION DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

Capital Assets.

Summarized below are the changes in capital assets for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beginning Capital Assets	\$ 4,381,228	\$ 4,572,621
Additions:		
Construction in Process	99,698	-
Capital Improvement – District	-	2,176
Less: Depreciation Expense	<u>(194,020)</u>	<u>(193,569)</u>
Ending Capital Assets	<u>\$ 4,286,906</u>	<u>\$ 4,381,228</u>

Tri-Lakes Wastewater Treatment Facility Improvements and Litigation.

The Monument Sanitation District, the Woodmoor Water and Sanitation District #1 (“Woodmoor”), and the Palmer Lake Sanitation District (“Palmer”) provide wastewater treatment at the Tri-Lakes Wastewater Treatment Facility (TLWWTF), which is operated as a joint venture under the Amended Joint Use of Facilities Agreement dated June 6, 1996. The TLWWTF assets and liabilities are commonly owned by each district in an equal, undivided one-third interest.

In 2014, the TLWWTF began incurring costs relating to construction improvements and nutrient removal in order to comply with new Federal and State regulations. The costs of construction and nutrient removal were originally allocated amongst the three districts based on ownership of capacity at the TLWWTF. The District’s ownership of capacity is 19.79%; Palmer’s ownership of capacity is 15.93%; and Woodmoor’s ownership of capacity is 64.28%.

To fund the costs of the improvements, the District entered into a revenue note agreement in the amount of \$400,000, and was also awarded a cooperative grant (along with Woodmoor and Palmer) from the State of Colorado in the amount of \$1,080,000. The grant period extended from July 1, 2014 through June 30, 2016, and the grant funds were originally allocated amongst the districts based on ownership of capacity at the TLWWTF. Because the grant award exceeded 10% of the District’s revenue, the District held a special election in November 2013, in which the voters approved that the District be awarded the grant funding and not have to return the funding in excess of 10% of the District’s revenue back to the taxpayers of the District.

The revenue note bears interest at 3.61%, and matures in December 2028. Under the terms of the agreement, the District was required to establish a debt reserve to cover principal and interest payments in the event of default. As of December 31, 2016 and 2015, the balance of the note was \$375,000 and \$390,000, respectively, and the balance of the debt reserve was \$42,106 and \$35,046, respectively.

MONUMENT SANITATION DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

Tri-Lakes Wastewater Treatment Facility Improvements and Litigation. (Continued)

In February 2015, Woodmoor filed a claim against the District and Palmer regarding the allocation of the costs of construction improvements and nutrient removal at the TLWWTF. Woodmoor claimed that the costs of improvement should be allocated between the three districts based on an ownership share of one-third per district. The District and Palmer claimed the improvements should be allocated based on ownership of capacity. In May 2016, the court ruled that the costs of construction improvements and nutrient removal should be allocated based on the one-third ownership share of each district. The District appealed the ruling and in May 2017, was notified it had lost the appeal and would be required to pay one-third of the costs of construction improvements and nutrient removal at the TLWWTF. As of December 31, 2016 and 2015, total construction improvement and nutrient removal costs incurred by the TLWWTF were \$3,777,077 and \$2,477,595, respectively. The total remaining amounts due to the TLWWTF at December 31, 2016 and 2015, based on one-third ownership, were \$439,952 and \$261,450, respectively. Additionally, because the cooperative grant funds were originally allocated to the District based on ownership of capacity, an additional \$101,377 of grant funds were due to the District at December 31, 2016 and 2015.

Other Items.

User Fees

For the year ended December 31, 2015, the Board of Directors had approved user fees as follows:

Residential Fees	\$30 per month
Commercial Fees	\$30 per month up to 5,000 gallons \$4.85 per 1,000 gallons thereafter

Effective January 1, 2016, the Board of Directors approved an increase in user fees to the following rates:

Residential Fees	\$35 per month
Commercial Fees	\$35 per month up to 5,000 gallons \$5.10 per 1,000 gallons thereafter

BASIC FINANCIAL STATEMENTS

MONUMENT SANITATION DISTRICT

**STATEMENT OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2016 AND 2015**

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents:		
In Banks and On Hand	\$ 293,986	\$ 399,986
In Colorado Local Government Liquid Asset Trust	<u>249,592</u>	<u>178,268</u>
Total Cash and Cash Equivalents	<u>543,578</u>	<u>578,254</u>
Receivables:		
User Fees	46,172	48,783
Tap Fees - Wakonda Hills	53,685	60,132
Grants	101,274	101,274
Other	<u>7,690</u>	<u>-</u>
Total Receivables	<u>208,821</u>	<u>210,189</u>
Prepaid Expenses	<u>18,839</u>	<u>-</u>
Total Current Assets	<u>771,238</u>	<u>788,443</u>
NON-CURRENT ASSETS		
Capital Assets:		
Construction in Process	99,698	-
Office Building and Land	401,433	401,433
Office Building Improvements	203,983	203,983
Collection System	3,485,826	3,485,826
Office Equipment	43,355	43,355
Equipment	36,449	36,449
ARRA Wakonda Hills Collection System	<u>2,000,000</u>	<u>2,000,000</u>
	6,270,744	6,171,046
Less: Accumulated Depreciation	<u>(1,983,838)</u>	<u>(1,789,818)</u>
Capital Assets - Net	4,286,906	4,381,228
Investment in Joint Use Facility	2,601,220	2,260,935
Reserve Account - Restricted	<u>42,106</u>	<u>35,046</u>
Total Non-Current Assets	<u>6,930,232</u>	<u>6,677,209</u>
TOTAL ASSETS	7,701,470	7,465,652
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	<u>140,629</u>	<u>44,249</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,842,099</u>	<u>\$ 7,509,901</u>

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

MONUMENT SANITATION DISTRICT

**STATEMENT OF NET POSITION - PROPRIETARY FUND (CONTINUED)
DECEMBER 31, 2016 AND 2015**

LIABILITIES AND NET POSITION

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 477,665	\$ 292,058
Payroll Taxes Payable and Accrued Vacation	44,214	53,152
Revenue Note Payable - Due Within One Year	20,000	5,000
Total Current Liabilities	<u>541,879</u>	<u>350,210</u>
LONG-TERM DEBT AND LIABILITIES		
Net Pension Liability	404,404	321,902
Revenue Note Payable - Due After One Year	355,000	385,000
Total Long-Term Debt and Liabilities	<u>759,404</u>	<u>706,902</u>
TOTAL LIABILITIES	1,301,283	1,057,112
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	7,421	65
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,308,704</u>	<u>1,057,177</u>
NET POSITION		
Invested in Capital Assets - Net of Related Debt	4,286,906	4,381,228
Restricted - Revenue Note Reserve	42,106	35,046
Committed - Reserved for Sludge Removal	20,388	20,388
Unrestricted	2,183,995	2,016,062
TOTAL NET POSITION	<u>6,533,395</u>	<u>6,452,724</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 7,842,099</u>	<u>\$ 7,509,901</u>

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

MONUMENT SANITATION DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
User Fees	\$ 673,308	\$ 584,300
OPERATING EXPENSES		
Depreciation	194,020	193,569
Vehicle Expenses	737	770
Engineering Fees	929	4,649
Repairs, Maintenance, and Replacement - Sewage Collection	20,551	46,189
Sewage Treatment and Disposal - Joint Use Facility	529,644	878,789
Total Operating Expenses	<u>745,881</u>	<u>1,123,966</u>
GROSS (LOSS) FROM OPERATIONS	<u>(72,573)</u>	<u>(539,666)</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting	18,708	16,966
Insurance and Bonding	45,373	25,391
Interest	14,048	14,260
Legal and Professional Fees	83,166	119,521
Office Supplies and Expenses	32,626	34,450
Payroll Taxes	3,767	3,779
Pension Expense	25,702	11,348
Rent	268	2,124
Salaries	209,716	228,962
Telephone and Utilities	19,226	18,378
Total General and Administrative Expenses	<u>452,600</u>	<u>475,179</u>
(LOSS) FROM OPERATIONS	<u>(525,173)</u>	<u>(1,014,845)</u>
NON-OPERATING REVENUES		
Rental Income	14,000	14,850
Interest Income	2,641	2,103
Grants	-	303,818
Other Revenue	10,118	13,666
Gain from Investment in Joint Use Facility	340,285	548,926
Non-Operating Revenues	<u>367,044</u>	<u>883,363</u>
(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(158,129)	(131,482)
RESERVED FOR SLUDGE REMOVAL FUND EXPENDITURE	-	(35,351)
CAPITAL CONTRIBUTIONS - TAP FEES	<u>238,800</u>	<u>189,000</u>
INCREASE IN NET POSITION	80,671	22,167
NET POSITION - BEGINNING OF YEAR	<u>6,452,724</u>	<u>6,430,557</u>
NET POSITION - END OF YEAR	<u>\$ 6,533,395</u>	<u>\$ 6,452,724</u>

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

MONUMENT SANITATION DISTRICT

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 675,919	\$ 579,264
Cash (Payments to) Suppliers for Goods and Services	(598,576)	(932,915)
Cash (Payments to) Employees for Services	<u>(254,577)</u>	<u>(229,943)</u>
Net Cash (Used In)		
Operating Activities	<u>(177,234)</u>	<u>(583,594)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Grant Revenue	-	221,407
Other Revenue	<u>2,428</u>	<u>13,666</u>
Net Cash Provided By		
Non-Capital Financing Activities	<u>2,428</u>	<u>235,073</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Developer Deposit (Return)	-	(97,459)
Capital Contributed - Sewer Tap Fees	245,247	205,526
Reserve for Sludge Removal Expenditure	-	(35,351)
Revenue Note Payable	(15,000)	(5,000)
Acquisition of Capital Assets	<u>(99,698)</u>	<u>(2,176)</u>
Net Cash Provided By		
Capital and Related Financing Activities	<u>130,549</u>	<u>65,540</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Rental Income	14,000	14,850
(Increase) in Reserve Account - Restricted	(7,060)	(7,017)
Decrease in Certificate of Deposit	-	97,459
Interest Received	<u>2,641</u>	<u>2,103</u>
Net Cash Provided By		
Investing Activities	<u>9,581</u>	<u>107,395</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,676)	(175,586)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>578,254</u>	<u>753,840</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 543,578</u>	<u>\$ 578,254</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:		
(Loss) from Operations	\$ (525,173)	\$ (1,014,845)
Net Cash (Used in) Operating Activities:		
Depreciation	194,020	193,569
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	2,611	(5,036)
(Increase) in Prepaid Expenses	(18,839)	-
Increase in Accounts Payable	185,607	239,920
Increase (Decrease) in Payroll Taxes Payable and Accrued Vacation	(8,938)	20,625
Increase in Net Pension Liability	82,502	26,357
(Increase) in Deferred Outflows	(96,380)	(44,249)
Increase in Deferred Inflows	<u>7,356</u>	<u>65</u>
Net Cash (Used In)		
Operating Activities	<u>\$ (177,234)</u>	<u>\$ (583,594)</u>

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

MONUMENT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1 Summary of Significant Accounting Policies.

The financial statements of the Monument Sanitation District (the "District") have been prepared to conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies consistently applied in the preparation of the financial statements.

Reporting Entity. The District is a sanitation district created by state statute as a special district. Under the authority granted by such statutes, the District has the power to enter into contracts and agreements; to sue and be sued; to hire employees and agents; to incur indebtedness and issue bonds; to refund any bonds of the District without an election; to fix rates, tolls, or charges for services, programs, or facilities furnished by the District, and to pledge such revenues for the payment of an indebtedness of the District; to adopt and enforce regulations promulgated by the Board; to cause the levy and collection of ad valorem property taxes; to acquire, dispose of, and encumber real and personal property and any interest in such property including leases and easements; to have the management, control, and supervision of all the business affairs of the District and the construction, installation, operation, and maintenance of the District improvements within and outside the District; and to exercise the power of eminent domain for the condemnation of private property (except water rights) for public use. The Board may also, subject to compliance with statutory procedures, order the inclusion or exclusion of real property, thereby modifying the boundaries of the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set 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.

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 has no component units as defined by GASB, Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

The District is not financially accountable for any other organizations.

MONUMENT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1 Summary of Significant Accounting Policies. (Continued)

Basis of Presentation. The accompanying financial statements are presented per GASB No. 34 – *Special Purpose Governments*.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/net position) report information on all governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The differences between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District are reported as net position. The statement of revenues, expenses, and changes in net position demonstrate the degree to which expenditures/expense of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of revenues, expenses, and changes in net position demonstrate the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

The District uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The District's fund is classified as an enterprise fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The District's records are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MONUMENT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1 Summary of Significant Accounting Policies. (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation. (Continued)

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The District reports all activity in one enterprise fund which is a proprietary fund type. This fund is considered a major fund.

Budgets. Budgets are adopted as a non-GAAP basis for the governmental funds. In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

Encumbrance accounting (open purchase orders, and other commitments for the expenditures of funds in future periods) is not used by the District for financial reporting purposes, but is used for budgetary purposes.

Assets, Liabilities, and Net Position.

Cash Equivalents. For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable. No provision is made for uncollectible accounts as the District has tax lien authority against the specific properties for collection of amounts due.

MONUMENT SANITATION DISTRICT

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

1 Summary of Significant Accounting Policies. (Continued)

Assets, Liabilities, and Net Position. (Continued)

Capital Contributions from Developers. Developers of new subdivisions within the District are required to construct the necessary sewer lines in accordance with District specifications. The District charges a tap fee for collections in the new subdivisions. The amount of tap fees to be retained by the District is recorded as Contributed Capital.

The estimated cost of sewer lines and other distribution facilities constructed and installed by the developer is recorded by the District as "Capital Assets" and "Capital Contributions" upon completion of the facilities and acceptance by the District.

Capital Assets. The District defines Capital Assets as assets with an initial individual cost of more than \$1,000, and an estimated useful life in excess of two years. The cost of maintenance and repairs, as well as minor replacements and improvements, is charged against income as incurred. The District has elected not to report major general infrastructure assets retroactively. Depreciation is provided on the straight-line basis over the estimated useful life of the property as follows:

Collection System	31 Years
Equipment	5 Years
Building and Improvements	39 Years

Depreciation is computed and recorded as an operating expense. Expenditures for property, plant, and equipment are shown as increases in assets, and redemption of bonds is recorded as a reduction in liability.

Property Taxes. No property taxes have been levied for 2016 and 2015, due to the bond being paid-in-full during 2007.

Fair Value of Financial Instruments. The Districts' financial instruments include cash and cash equivalents, certificates of deposit, receivables, accounts payable, and short-term borrowings. The fair value of these financial instruments approximates their carrying amounts based on current market indicators such as prevailing interest rates and their nearness to maturity.

The fair value of the revenue note payable is estimated based on the current rates offered to the District for debt of the same remaining maturities. As of December 31, 2016, the fair value of the note approximated the amounts recorded in the financial statements.

MONUMENT SANITATION DISTRICT

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

1 Summary of Significant Accounting Policies. (Continued)

Assets, Liabilities, and Net Position. (Continued)

Net Position. The financial statements utilize a net position presentation. Net position is categorized into four components: invested in capital assets - net of related debt, restricted net position, committed net position, and unrestricted net position.

Invested in Capital Assets - Net of Related Debt. This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Revenue Note Reserve. This component of net position consists of reserve requirements relating to the revenue note payable imposed by the lender.

Committed Net Position - Reserved for Sludge Removal. This component of net position consists of constraints imposed by the District's Board of Directors.

Unrestricted Net Position. This component consists of all other net position that does not meet the definition of the above three components and is available for general use by the District.

Operating and Non-Operating Revenue and Expenses. Operating revenues result from user fees. Expenses associated with providing wastewater treatment services are considered operating. Non-operating revenues result from rental income and non-exchange transactions, such as gains and losses on the joint use facility and interest income.

MONUMENT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

2 Cash and Cash Investments.

Deposits. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. The statute specifies eligible depositories for public cash deposits, which must be Colorado institutions and must maintain Federal insurance (FDIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held-in-trust for all local government depositories as a group with a market value equal to at least 102 percent of the uninsured deposits. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution held-in-trust. The market value of the collateral must be at least equal to the aggregate uninsured deposit. The State Regulatory Commissions for banks and financial services are required by 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 and 2015, none of the District's bank deposits were exposed to credit risk.

At December 31, 2016 and 2015, the District's cash deposits had a carrying and bank balance as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Carrying Balance</u>	<u>Bank Balance</u>	<u>Carrying Balance</u>	<u>Bank Balance</u>
Cash on Hand	\$ 100	\$ -	\$ 100	\$ -
Restricted Deposit	42,106	42,106	35,046	35,046
Insured Deposits (FDIC)	<u>293,886</u>	<u>298,973</u>	<u>399,886</u>	<u>503,818</u>
Total Cash	<u>\$ 336,092</u>	<u>\$ 341,079</u>	<u>\$ 435,032</u>	<u>\$ 538,864</u>

Credit Risk. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. government agency securities.
- Certain internal and agency securities.
- General obligation and revenue bonds of U.S. local government entities.
- Bankers' acceptances of certain banks.
- Commercial paper.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.
- Local government investment pools.

MONUMENT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

2 Cash and Cash Investments. (Continued)

Local Government Investment Pool. At December 31, 2016 and 2015, the District had invested \$249,592 and \$178,268, respectively, in the Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local entities in Colorado to pool surplus funds. The Trust operates similarly to a money market fund, and each share is equal to \$1.00. The Trust may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The Trust is rated AAA by both Standard and Poor's, and Moody's. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. At December 31, 2016 and 2015, the market value of the investment was the same as the carrying value.

Interest Rate Risk. State statute limits investments in agencies to a maximum five year maturity and corporate bonds to three years.

Concentration of Credit Risk. State statutes do not limit the amount the District may invest in one issuer. The District's general investment policy requires the "prudent-investor" standard which states, "investments shall be made with judgment and care under circumstances then prevailing with persons or prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income derived."

3 Property, Plant, and Equipment.

Changes in property, plant, and equipment for the years ended December 31, 2016 and 2015, are summarized as follows:

	Balance Jan. 1, 2016	Additions	Reclassifications/ Retirements	Balance Dec. 31, 2016
Construction in Process	\$ -	\$ 99,698	\$ -	\$ 99,698
Office, Building, Land and Improvements	605,416	-	-	605,416
Collection System	3,485,826	-	-	3,485,826
Office Equipment	43,355	-	-	43,355
Equipment	36,449	-	-	36,449
ARRA Wakonda Hills Collection System	2,000,000	-	-	2,000,000
Total Assets	\$ 6,171,046	\$ 99,698	\$ -	\$ 6,270,744
Accumulated Depreciation:				
Office, Building, Land and Improvements	\$ 189,834	\$ 14,498	\$ -	\$ 204,332
Collection System	1,204,756	112,446	-	1,317,202
Office Equipment	43,354	-	-	43,354
Equipment	29,293	2,560	-	31,853
ARRA Wakonda Hills Collection System	322,581	64,516	-	387,097
Total Accumulated Depreciation	\$ 1,789,818	\$ 194,020	\$ -	\$ 1,983,838

MONUMENT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

3 Property, Plant, and Equipment. (Continued)

	Balance Jan. 1, 2015	Additions	Reclassifications/ Retirements	Balance Dec. 31, 2015
Office, Building, Land and Improvements	\$ 605,416	\$ -	\$ -	\$ 605,416
Collection System	3,483,650	2,176	-	3,485,826
Office Equipment	43,355	-	-	43,355
Equipment	36,449	-	-	36,449
ARRA Wakonda Hills Collection System	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Total Assets	<u>\$ 6,168,870</u>	<u>\$ 2,176</u>	<u>\$ -</u>	<u>\$ 6,171,046</u>
Accumulated Depreciation:				
Office, Building, Land and Improvements	\$ 175,841	\$ 13,993	\$ -	\$ 189,834
Collection System	1,092,457	112,299	-	1,204,756
Office Equipment	43,354	-	-	43,354
Equipment	26,532	2,761	-	29,293
ARRA Wakonda Hills Collection System	<u>258,065</u>	<u>64,516</u>	<u>-</u>	<u>322,581</u>
Total Accumulated Depreciation	<u>\$ 1,596,249</u>	<u>\$ 193,569</u>	<u>\$ -</u>	<u>\$ 1,789,818</u>

4 Investment in Joint Use Facility.

The Monument Sanitation District, the Woodmoor Water and Sanitation District #1, and the Palmer Lake Sanitation District provide wastewater treatment at the Tri-Lakes Wastewater Treatment Facility (TLWWTF), which is operated as a joint venture under the Amended Joint Use of Facilities Agreement dated June 6, 1996. The TLWWTF assets and liabilities are commonly owned by each district in an equal, undivided one-third interest. The audited financial statements of the TLWWTF, dated June 21, 2017, are available at the treatment facility. The Woodmoor Water and Sanitation District #1 is presently the management company for the facility, as directed by a three member Board of Directors, comprised of one director and an alternate appointed from each district.

The Monument Sanitation District uses the equity method to record its share of joint use facility transactions. At December 31, 2016 and 2015, the District's ownership interest in TLWWTF reflected in the Statement of Net Position as Investment in Joint Use Facility, was \$2,601,220 and \$2,260,935, respectively. The District's share of the change in net position of the TLWWTF for the years ended December 31, 2016 and 2015, reflected in the Statement of Revenues, Expenses, and Changes in Net Position as Gain from Investment in Joint Use Facility, was \$340,285 and \$548,926, respectively.

MONUMENT SANITATION DISTRICT

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

4 Investment in Joint Use Facility. (Continued)

The following reflects a summary of the financial position and results of operations of the TLWWTF, as of and for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash	\$ 14,520	\$ 10,496
Accounts Receivable	493,114	99,640
Prepaid Expenses	38,643	32,344
Capital Assets - Net of Accumulated Depreciation	<u>8,164,985</u>	<u>7,236,107</u>
Total Assets	<u>8,711,262</u>	<u>7,378,587</u>
Deferred Outflows of Resources – Related to Pensions	<u>122,005</u>	<u>46,684</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,833,267</u>	<u>\$ 7,425,271</u>
Accounts Payable	\$ 451,482	\$ 153,027
Accrued Expenses	-	158
Compensated Absences	103,864	90,133
Deposits Held	59,173	59,173
Net Pension Liability	<u>432,863</u>	<u>371,310</u>
Total Liabilities	1,047,382	673,801
Total Net Position	7,752,660	6,731,804
Deferred Inflows of Resources – Related to Pensions	<u>33,225</u>	<u>19,666</u>
Total Liabilities, Net Position, and Deferred Inflows of Resources	<u>\$ 8,833,267</u>	<u>\$ 7,425,271</u>
Operating Revenues	\$ 2,084,308	\$ 2,172,146
Non-Operating Revenues	893	823,561
Operating Expenses	<u>(1,064,345)</u>	<u>(1,017,198)</u>
Net Income	<u>\$ 1,020,856</u>	<u>\$ 1,978,509</u>

Capital outlays of the joint use facility are assessed equally to each district. Operating expenses for the joint use facility are allocated to the respective districts based on various factors such as monthly influent flows and BOD loadings.

Monthly billings from the joint use facility, which cover both operating expenses and other assessments, are expensed by the District. Included in Sewage Treatment and Disposal Expense for the years ended December 31, 2016 and 2015, are the following charges related to the joint use facility:

MONUMENT SANITATION DISTRICT

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

4 Investment in Joint Use Facility. (Continued)

	<u>2016</u>	<u>2015</u>
Operating Expenses Charged by TLWWTF	\$ 529,644	\$ 878,789
Other Assessments Charged by TLWWTF	<u>-</u>	<u>-</u>
Total Sewage Treatment and Disposal Expense	<u>\$ 529,644</u>	<u>\$ 878,789</u>

As of December 31, 2016 and 2015, the District owed the Tri-Lakes Wastewater Treatment Facility \$366,628 and \$282,648, respectively, which is included in Accounts Payable.

On October 13, 1998, and December 12, 2006, the District contributed \$10,000 and \$7,000, respectively, to an escrow deposit account with the Tri-Lakes Wastewater Treatment Facility. The ownership presentation of the Investment in Joint Use Facility is as follows:

	<u>2016</u>	<u>2015</u>
Net Position TLWWTF	\$ 7,752,660	\$ 6,731,804
District's Equity Percentage	<u>33 1/3%</u>	<u>33 1/3%</u>
District's Ownership Interest	2,584,220	2,243,935
Escrow Deposit	<u>17,000</u>	<u>17,000</u>
Investment in Joint Use Facility	<u>\$ 2,601,220</u>	<u>\$ 2,260,935</u>

5 Revenue Note Payable.

In December 2013, the District entered into a revenue note agreement with an original amount of \$400,000. The revenue note bears interest at a rate of 3.61%, and matures on December 1, 2028. Interest is due semi-annually. The revenue note constitutes an irrevocable and first lien on the Net Revenue of the District. Net Revenue (defined in the note agreement as Gross Revenue less Operating and Maintenance Expenses) is pledged for the payment of the revenue note. No monthly payments are required under the revenue note, but the note stipulates annual principal payment requirements escalating from \$5,000 per annum, to \$40,000 over the duration of the loan. Principal repayments must be made from Net Revenues or from the Reserve Deposit account, described below.

The following is a summary of the note payable activity for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance, January 1	\$ 390,000	\$ 395,000
Principal Payments	<u>(15,000)</u>	<u>(5,000)</u>
Balance, December 31	<u>\$ 375,000</u>	<u>\$ 390,000</u>

MONUMENT SANITATION DISTRICT

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

5 Revenue Note Payable. (Continued)

The following is a summary of the future maturities of the note for the next five years ending December 31:

2017	\$ 20,000
2018	25,000
2019	30,000
2020	30,000
2021	30,000
Thereafter	<u>240,000</u>
	<u>\$ 375,000</u>

Under the terms of the note, the District is required to establish a reserve account to be used only to prevent default in the payment of the revenue note. The reserve account was required to be funded with an initial deposit of \$21,000 by December 31, 2013, and then an additional \$7,000 per annum until the reserve account is funded with a balance of \$42,000. As of December 31, 2016 and 2015, the balance of the reserve account was \$42,106 and \$35,046, respectively, and is reflected as Reserve Account - Restricted in the Statement of Net Position.

6 State of Colorado Grant.

In September 2013, the District, along with the Woodmoor Water and Sanitation District #1 ("Woodmoor"), and the Palmer Lake Sanitation District ("Palmer"), entered into a grant agreement with the State of Colorado. The grant is a cooperative grant to be used for the purpose of Phase I construction improvements and nutrient removal at TLWWTF (discussed in Note 4), estimated at a total cost of approximately \$3,000,000. The total grant award will not exceed \$1,080,000, for the period from July 1, 2014 through June 30, 2016. To comply with Tabor provisions, the District held a special election for the voters of El Paso County, Colorado, to approve the grant funding awarded to the District. The election passed in November 2013.

Under the terms of the grant agreement, the first \$80,000 of the grant funds were allocated amongst the three districts based on ownership share of 33 1/3%. The remaining grant funds were originally allocated amongst the three districts based on ownership of capacity. However, as discussed in Note 12, the District was involved in litigation with Woodmoor and Palmer regarding whether the Phase I costs should be allocated based upon each district's one-third ownership share or each district's ownership of capacity. The District's ownership of capacity is 19.79%; Palmer's ownership of capacity is 15.93%; and Woodmoor's ownership of capacity is 64.28%.

MONUMENT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

6 State of Colorado Grant. (Continued)

The expenditures required under the grant were completed during 2015, and the District received and recognized all amounts due to the District under the grant based on ownership of capacity. However, in May 2016 (prior to the date of 2015 financial statements) the court ruled that the Phase I costs should be allocated based upon each district's ownership share of 33 1/3%. Accordingly, at December 31, 2015, as a result of the court's ruling, the District accrued \$101,274 of additional amounts due to the District under the State of Colorado grant based on the District's ownership share of 33 1/3%. The outstanding balance was unpaid as of December 31, 2016, as the ruling was currently being appealed by the District.

For the years ended December 31, 2016 and 2015, the District recognized \$-0- and \$303,818, respectively, of revenue under the grant.

7 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 is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016 and 2015. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery, and workers compensation coverage to its members. The Pool provides coverage for property claims up to \$20,000,000 and liability claims up to \$1,000,000. Workers compensation claims are covered up to statutory limits, with claims related to employer's liability up to \$2,000,000. There have been no claims that have exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Settled claims have not exceeded this coverage in any of the past three fiscal years.

MONUMENT SANITATION DISTRICT

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

8 Defined Benefit Pension Plan.

Summary of Significant Accounting Policies.

Pensions. The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan.

Plan Description. Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/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. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

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

MONUMENT SANITATION DISTRICT

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

8 Defined Benefit Pension Plan. (Continued)

General Information about the Pension Plan. (Continued)

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.
- \$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 the 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 and 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, 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 (AIR) for the LGDTF.

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

MONUMENT SANITATION DISTRICT

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

8 Defined Benefit Pension Plan. (Continued)

General Information about the Pension Plan. (Continued)

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

Contributions. Eligible employees and the District are required to contribute to the GDTF 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:

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$30,085, for the year ended December 31, 2016.

MONUMENT SANITATION DISTRICT

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

8 Defined Benefit Pension Plan. (Continued)

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

At December 31, 2016, the District reported a liability of \$404,404 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the District proportion was .036711%, which was an increase of .000797% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$23,563. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	-	\$65
Net difference between projected and actual earnings on pension plan investments	-	\$7,356
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$110,544	-
Contributions subsequent to the measurement date	\$30,085	-
Total	\$140,629	\$7,421

MONUMENT SANITATION DISTRICT

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

8 Defined Benefit Pension Plan. (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Continued)

\$30,085 of the deferred outflows of resources resulted from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. 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 Ending December 31,	
2017	(\$35,867)
2018	(\$35,867)
2019	(\$31,389)

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

Actuarial cost method	Entry age
Price inflation	2.80 %
Real wage growth	1.10 %
Wage inflation	3.90 %
Salary increases, including wage inflation	3.90 – 10.85 %
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 %
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 %
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

MONUMENT SANITATION DISTRICT

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

8 Defined Benefit Pension Plan. (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions. (Continued)**

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

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

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

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

As of the November 15, 2013 adoption of the 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:

MONUMENT SANITATION DISTRICT

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

8 Defined Benefit Pension Plan. (Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions.* (Continued)**

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

In setting the long-term expected rate of return, 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 7.50%.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

MONUMENT SANITATION DISTRICT

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

8 Defined Benefit Pension Plan. (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions. (Continued)**

Discount Rate. (Continued)

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

MONUMENT SANITATION DISTRICT

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

8 Defined Benefit Pension Plan. (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 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-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$675,355	\$404,404	\$190,070

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.

9 Post-Employment Healthcare Benefits.

Plan Description. The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF 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 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 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, 2016, 2015, and 2014, the District contributions to the HCTF were \$2,139, \$2,335, and \$2,187, respectively, equal to their required contributions for each year.

MONUMENT SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

10 Defined Contribution Plan.

Plan Description. The LGDTF members (see Note 9) of the District may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

Funding Policy. The 401(k) Plan is funded by voluntary member contributions up to a maximum limit set by the IRS (\$18,000 in 2016 and 2015). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the Colorado Revised Statutes, as amended. There were no District matching contributions for the years ended December 31, 2016 and 2015.

11 Commitments and Contingencies.

Environmental Protection Agency (EPA). The EPA has imposed certain requirements for providing sludge removal at the treatment plant owned and operated jointly with Woodmoor Water and Sanitation District #1 and Palmer Lake Sanitation District. However, the Districts' legal counsel has determined that the treatment facility may be exempt from the EPA requirements.

Tax, Spending, and Debt Limitations. Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments. The District operates as a waste water activity pursuant to Title 37, Article 45.1 of the State statutes.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenues in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes its operations qualify for this exclusion. However, TABOR is complex and subject to interpretation. Many of the provisions, including qualification as an Enterprise, will require judicial interpretation. Accordingly, the possibility exists that the District's interpretation of certain TABOR provisions may subsequently be determined to be incorrect. This could result in a potential refund of revenue unless voters approve retention of such revenue. The ultimate outcome of these matters cannot presently be determined and no provision for any liability for a refund of revenue is provided for in the financial statements.

MONUMENT SANITATION DISTRICT

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

11 Commitments and Contingencies. (Continued)

Operating Lease Commitments. In January 2013, the District entered into an operating lease for office equipment. Under the terms of the lease, the District must make monthly payments of \$255. Future minimum lease payments for the years ending December 31, are as follows:

2017	\$ 3,060
2018	765
	<u>\$ 3,825</u>

12 Litigation.

In February 2015, Woodmoor Water and Sanitation District #1 ("Woodmoor") filed a claim against the District and Palmer Lake Sanitation District ("Palmer") regarding the allocation of the Phase I costs of construction improvements and nutrient removal at TLWWTF described in Notes 4 and 6. Woodmoor claimed that the costs of improvement should be allocated between the three districts based on an ownership share of one-third per district. The District and Palmer claimed the improvements should be allocated based on ownership of capacity. The District's ownership of capacity is 19.79%; Palmer's ownership of capacity is 15.93%; and Woodmoor's ownership of capacity is 64.28%. In May 2016 (prior to the date of the 2015 financial statements), the court ruled that the costs of construction improvements for Phase I should be allocated based on the one-third ownership share of each district. Accordingly, as of December 31, 2015, the District recorded a \$261,450 liability which is included in Accounts Payable on the Statement of Net Position to accrue the additional costs due to the TLWWTF as a result of the court's ruling. In addition, the District recorded \$101,274 of grants receivable to record the remaining amounts due under the State of Colorado grant from the TLWWTF based on the one-third ownership share of each district.

The District appealed the ruling in May 2016, and the District, Woodmoor and Palmer agreed to continue allocating costs based on ownership of capacity until the appeal was complete. In May 2017, the District was informed that it had lost the appeal and would be responsible for 33.33% of the Phase I costs of construction improvements and nutrient removal at the TLWWTF. Accordingly, at December 31, 2016, the District recorded a liability of \$434,952, which is included in Accounts Payable on the Statement of Net Position to accrue the remaining amounts due to the TLWWTF for the costs of construction incurred through 2016.

SUPPLEMENTARY INFORMATION

MONUMENT SANITATION DISTRICT

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
BUDGET TO ACTUAL - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
User Fees	\$ 628,791	\$ 673,308	\$ 44,517
Interest Income	500	2,641	2,141
Other Revenue	12,000	10,118	(1,882)
Rental Income	24,600	14,000	(10,600)
Grant Revenue	850,000	-	(850,000)
Tap Fees	50,000	238,800	188,800
Total Revenues	<u>\$ 1,565,891</u>	<u>\$ 938,867</u>	<u>\$ (627,024)</u>
EXPENDITURES			
Revenue Loan Payment	\$ 29,079	\$ 15,000	\$ 14,079
Revenue Loan Reserve Account	8,000	7,000	1,000
	<u>37,079</u>	<u>22,000</u>	<u>15,079</u>
Administration:			
Accounting	10,000	8,208	1,792
Auditing	8,600	10,500	(1,900)
Bank Charges	200	618	(418)
Board Expense - Travel	2,000	398	1,602
Election Expense	2,000	-	2,000
Insurance and Bonding	15,054	-	15,054
Janitorial	6,000	5,125	875
Licenses and Fees	500	270	230
Office Equipment Repairs	2,500	4,500	(2,000)
Office Supplies	7,000	8,050	(1,050)
Postage and Meter Rental	12,500	11,334	1,166
Publishing	500	336	164
Recording and Reporting	1,500	-	1,500
Rent - Storage	1,980	268	1,712
Telephone	7,000	7,519	(519)
Workshops and Conferences	1,500	820	680
	<u>78,834</u>	<u>57,946</u>	<u>20,888</u>
Public Works:			
Joint Use Fees	187,017	96,527	90,490
Repairs and Maintenance	30,000	8,236	21,764
Sludge Removal	25,000	-	25,000
Trails End Lift Station Utilities	2,640	-	2,640
	<u>244,657</u>	<u>104,763</u>	<u>139,894</u>

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

MONUMENT SANITATION DISTRICT

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
BUDGET TO ACTUAL - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (CONTINUED)			
Employee Expenses:			
Payroll Taxes	\$ 2,996	\$ 3,767	\$ (771)
Pension Expense	28,304	25,702	2,602
Salaries and Wages	206,600	209,716	(3,116)
Travel and Lodging	2,500	1,716	784
Health Insurance	25,845	26,398	(553)
Workers Compensation	2,599	2,921	(322)
	<u>268,844</u>	<u>270,220</u>	<u>(1,376)</u>
Building Expenses:			
Utilities and Trash	9,000	11,707	(2,707)
Repairs and Maintenance	9,500	7,681	1,819
Insurance	1,000	16,054	(15,054)
	<u>19,500</u>	<u>35,442</u>	<u>(15,942)</u>
Other Expenses:			
Advertising and Promotion	1,000	-	1,000
Interest Expense	-	14,048	(14,048)
Business Meals	500	607	(107)
Dues and Subscriptions	2,500	2,122	378
Legal Fees	60,000	80,569	(20,569)
Professional Fees	3,000	2,597	403
Engineering Fees	6,000	929	5,071
Contingency	50,000	1,230	48,770
Sick Leave/Vacation Reserve	15,000	4,019	10,981
Truck and Fuel Maintenance	2,500	871	1,629
New Equipment, Furniture, and Fixtures	2,000	-	2,000
Capital Improvements - JUC	589,914	433,117	156,797
Capital Improvements - District	850,000	99,698	750,302
	<u>1,582,414</u>	<u>639,807</u>	<u>942,607</u>
Total Expenditures	<u>2,231,328</u>	<u>1,130,178</u>	<u>1,101,150</u>
REVENUE (UNDER) EXPENDITURES	<u>\$ (665,437)</u>	(191,311)	<u>\$ 474,126</u>
INCREASE (DECREASE) TO RECONCILE BUDGETARY BASIS TO GAAP BASIS:			
Revenue Loan Payment		15,000	
Revenue Loan Reserve Account		7,000	
Sick Leave/Vacation Reserve		4,019	
Capital Improvements - District		99,698	
Depreciation Expense		(194,020)	
Gain from Joint Use Facility		340,285	
INCREASE IN NET POSITION		<u>\$ 80,671</u>	

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

MONUMENT SANITATION DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY - PROPRIETARY FUND
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
District's Proportionate Share of the Net Pension Liability	0.036711%	0.035914%
District's Proportionate Share of the Net Pension Liability	\$ 404,404	\$ 321,902
District's Covered Payroll	\$ 209,716	\$ 228,962
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	193%	141%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.90%	80.71%

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

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

MONUMENT SANITATION DISTRICT

**SCHEDULE OF THE DISTRICT'S REQUIRED CONTRIBUTIONS -
PROPRIETARY FUND
FOR THE YEARS ENDING DECEMBER 31, 2016, 2015, AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 30,085	\$ 26,841	\$ 24,593
Contributions in Relation to the Contractually Required Contribution	<u>(30,085)</u>	<u>(26,841)</u>	<u>(24,593)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 209,716	\$ 228,962	\$ 213,893
Contribution as a Percentage of Covered Employee Payroll	14.35%	11.72%	11.50%

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

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

