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**MONUMENT SANITATION DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2017 AND 2016**

**WIPFLi**<sup>LLP</sup>  
CPAs and Consultants

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Office of the State Auditor

July 31, 2018



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Monument Sanitation District

We have audited the accompanying financial statements of the Monument Sanitation District as of and for the year ended December 31, 2017, 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 the financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 opinion.

## **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, 2017, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States.

## **Report on Prior Period Financial Statement**

The financial statements of Monument Sanitation District as of December 31, 2016, were audited by Bauerle and Company, P.C., who merged with Wipfli LLP as of February 1, 2018, and whose report dated June 21, 2017, expressed an unmodified opinion on those financial statements.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 – 7, budgetary comparison information on pages 39 and 40, the schedule of the District's proportionate share of the net pension liability on page 41, and the schedule of the District's required contributions on page 42 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, 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.

*Wipfli LLP*

Wipfli LLP  
Denver, CO

May 28, 2018

## MONUMENT SANITATION DISTRICT

### **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016. 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 or 2017.

#### **Current Year Financial Highlights.**

- The District's net position decreased by \$473,680 or 7.3% from 2016.
- User fees increased \$10,166, or 1.5%, from 2016.
- Total general and administrative expenses increased \$88,344, or 19.5%, from 2016.

#### **Overview of the Financial Statements.**

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

- Statements of Net Position – provide 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.
- Statements of Revenues, Expenses, and Changes in Net Position – report the District's operating and non-operating revenues by major source, along with operating and non-operating expenses, and capital contributions.
- Statements of Cash Flows – provide 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, 2017 AND 2016**

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**Statement of Net Position.**

Following below is the condensed Statements of Net Position as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 844,896	\$ 771,238
Capital Assets – Net	4,141,166	4,286,906
Non-Current Restricted Assets	42,127	42,106
Investment in Joint Use Facility	<u>2,526,845</u>	<u>2,601,220</u>
<b>Total Assets</b>	<b>7,555,034</b>	<b>7,701,470</b>
Deferred Outflows of Resources	<u>147,544</u>	<u>140,629</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 7,702,578</u></b>	<b><u>\$ 7,842,099</u></b>
Current Liabilities	\$ 422,949	\$ 541,879
Net Pension Liability	486,510	404,404
Revenue Note Payable	<u>330,000</u>	<u>355,000</u>
<b>Total Liabilities</b>	<b>1,239,459</b>	<b>1,301,283</b>
Deferred Inflows of Resources	<u>403,404</u>	<u>7,421</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b><u>1,642,863</u></b>	<b><u>1,308,704</u></b>
Net Position		
Invested in Capital Assets – Net of Related Debt	4,141,166	4,286,906
Restricted – Revenue Note Reserve	42,127	42,106
Unrestricted	<u>1,876,422</u>	<u>2,204,383</u>
<b>Total Net Position</b>	<b><u>6,059,715</u></b>	<b><u>6,533,395</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b><u>\$ 7,702,578</u></b>	<b><u>\$ 7,842,099</u></b>

**MONUMENT SANITATION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017 AND 2016**

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**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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
User Fees	\$ 683,474	\$ 673,308
Investment Revenue	15,604	16,641
Gain (Loss) from Joint Use Facility	( 74,375)	340,285
Grant Revenue	1,523	-
Other Revenue	<u>12,128</u>	<u>10,118</u>
<b>Total Revenues</b>	<u>638,354</u>	<u>1,040,352</u>
Operation and Maintenance Expense	405,874	551,861
Depreciation Expense	196,016	194,020
General and Administrative Expense	<u>540,944</u>	<u>452,600</u>
<b>Total Expenses</b>	<u>1,142,834</u>	<u>1,198,481</u>
(Loss) Before Capital Contributions	( 504,480)	( 158,129)
Capital Contributions – Tap Fees	<u>30,800</u>	<u>238,800</u>
Increase (Decrease) in Net Position	( 473,680)	80,671
Net Position – Beginning of Year	<u>6,533,395</u>	<u>6,452,724</u>
<b>Net Position – End of Year</b>	<u>\$ 6,059,715</u>	<u>\$ 6,533,395</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, 2017. Actual expenses were below budgeted amounts by \$325,738, and actual revenues were below budgeted amounts by \$10,571. The significant differences between actual and budgeted revenue was due to tap fee and rental revenue, which were under budget by \$19,200, and user fees were over budget by \$21,474. Significant differences between actual and budgeted expenses were joint use fees being over budget by \$100,679, and capital improvements (JUC and District) which was under budget by \$454,212.

**MONUMENT SANITATION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017 AND 2016**

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**Capital Assets.**

Summarized below are the changes in capital assets for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning Capital Assets	\$ 4,286,906	\$ 4,381,228
Additions/Reclassifications - Net:		
Construction in Process	( 17,439)	99,698
Equipment and Capital Improvement	67,715	-
Less: Depreciation Expense	( 196,016)	( 194,020)
Ending Capital Assets	<u>\$ 4,141,166</u>	<u>\$ 4,286,906</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, 2017 and 2016, the balance of the note was \$355,000 and \$375,000, respectively, and the balance of the debt reserve was \$42,127 and \$42,106, respectively.

**MONUMENT SANITATION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017 AND 2016**

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**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, 2017 and 2016, total construction improvement and nutrient removal costs incurred by the TLWWTF were \$3,808,996 and \$3,777,077, respectively. The total remaining amounts due to the TLWWTF at December 31, 2017 and 2016, based on one-third ownership, were \$438,513 and \$439,952, respectively. Additionally, because the cooperative grant funds were originally allocated to the District based on ownership of capacity, an additional \$101,274 of grant funds were due to the District at December 31, 2016, and was collected in 2017 as part of the settlement agreement.

**Other Items.**

***User Fees***

For the years ended December 31, 2016 and 2017, the Board of Directors had approved user fees as follows:

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**

**STATEMENTS OF NET POSITION - PROPRIETARY FUND  
DECEMBER 31, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents:		
In Banks and On Hand	\$ 252,440	\$ 293,986
In Colorado Local Government Liquid Asset Trust	68,697	249,592
<b>Total Cash and Cash Equivalents</b>	<u>321,137</u>	<u>543,578</u>
Receivables:		
Taxes	401,997	-
User Fees	52,957	46,172
Tap Fees - Wakonda Hills	44,984	53,685
Grants	-	101,274
Deposits	412	-
Other	5,658	7,690
<b>Total Receivables</b>	<u>506,008</u>	<u>208,821</u>
Prepaid Expenses	17,751	18,839
<b>Total Current Assets</b>	<u>844,896</u>	<u>771,238</u>
<b>NON-CURRENT ASSETS</b>		
Capital Assets:		
Construction in Process	-	99,698
Office Building and Land	401,433	401,433
Office Building Improvements	343,127	203,983
Collection System	3,493,610	3,485,826
Office Equipment	43,355	43,355
Equipment	39,495	36,449
ARRA Wakonda Hills Collection System	2,000,000	2,000,000
	6,321,020	6,270,744
Less: Accumulated Depreciation	(2,179,854)	(1,983,838)
<b>Capital Assets - Net</b>	4,141,166	4,286,906
Investment in Joint Use Facility	2,526,845	2,601,220
Reserve Account - Restricted	42,127	42,106
<b>Total Non-Current Assets</b>	<u>6,710,138</u>	<u>6,930,232</u>
<b>TOTAL ASSETS</b>	7,555,034	7,701,470
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	147,544	140,629
<b>TOTAL ASSETS AND DEFERRED       OUTFLOWS OF RESOURCES</b>	<u>\$ 7,702,578</u>	<u>\$ 7,842,099</u>

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

**MONUMENT SANITATION DISTRICT**

**STATEMENTS OF NET POSITION - PROPRIETARY FUND (CONTINUED)  
DECEMBER 31, 2017 AND 2016**

**LIABILITIES AND NET POSITION**

	<u>2017</u>	<u>2016</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 362,400	\$ 477,665
Payroll Taxes Payable and Accrued Vacation	35,549	44,214
Revenue Note Payable - Due Within One Year	25,000	20,000
<b>Total Current Liabilities</b>	<u>422,949</u>	<u>541,879</u>
<b>LONG-TERM DEBT AND LIABILITIES</b>		
Net Pension Liability	486,510	404,404
Revenue Note Payable - Due After One Year	330,000	355,000
<b>Total Long-Term Debt and Liabilities</b>	<u>816,510</u>	<u>759,404</u>
<b>TOTAL LIABILITIES</b>	<u>1,239,459</u>	<u>1,301,283</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	1,407	7,421
Related to taxes	401,997	-
<b>Total Deferred Inflows of Resources</b>	<u>403,404</u>	<u>7,421</u>
<b>TOTAL LIABILITIES AND DEFERRED         INFLOWS OF RESOURCES</b>	<u>1,642,863</u>	<u>1,308,704</u>
<b>NET POSITION</b>		
Invested in Capital Assets - Net of Related Debt	4,141,166	4,286,906
Restricted - Revenue Note Reserve	42,127	42,106
Unrestricted	1,876,422	2,204,383
<b>TOTAL NET POSITION</b>	<u>6,059,715</u>	<u>6,533,395</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF         RESOURCES, AND NET POSITION</b>	<u>\$ 7,702,578</u>	<u>\$ 7,842,099</u>

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

**MONUMENT SANITATION DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
PROPRIETARY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
User Fees	\$ 683,474	\$ 673,308
<b>OPERATING EXPENSES</b>		
Depreciation	196,016	194,020
Vehicle Expenses	750	737
Engineering Fees	8,047	929
Repairs, Maintenance, and Replacement - Sewage Collection	55,262	20,551
Sewage Treatment and Disposal - Joint Use Facility	341,815	529,644
<b>Total Operating Expenses</b>	<u>601,890</u>	<u>745,881</u>
<b>GROSS INCOME (LOSS) FROM OPERATIONS</b>	<u>81,584</u>	<u>(72,573)</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Accounting	20,945	18,708
Insurance and Bonding	48,752	45,373
Interest	13,538	14,048
Legal and Professional Fees	43,561	83,166
Office Supplies and Expenses	32,635	32,626
Payroll Taxes	4,605	3,767
Pension Expense	99,528	25,702
Rent	2,600	268
Salaries	255,944	209,716
Telephone and Utilities	18,836	19,226
<b>Total General and Administrative Expenses</b>	<u>540,944</u>	<u>452,600</u>
<b>(LOSS) FROM OPERATIONS</b>	<u>(459,360)</u>	<u>(525,173)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Rental Income	13,200	14,000
Interest Income	2,404	2,641
Grants	1,523	-
Other Revenue	12,128	10,118
Gain (Loss) from Investment in Joint Use Facility	(74,375)	340,285
<b>Non-Operating Revenues (Expenses) - Net</b>	<u>(45,120)</u>	<u>367,044</u>
<b>(LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(504,480)</u>	<u>(158,129)</u>
<b>CAPITAL CONTRIBUTIONS - TAP FEES</b>	<u>30,800</u>	<u>238,800</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(473,680)</u>	<u>80,671</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>6,533,395</u>	<u>6,452,724</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,059,715</u>	<u>\$ 6,533,395</u>

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

**MONUMENT SANITATION DISTRICT**

**STATEMENTS OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 678,309	\$ 675,919
Cash (Payments to) Suppliers for Goods and Services	(780,599)	(598,576)
Cash (Payments to) Employees for Services	(219,883)	(254,577)
<b>Net Cash (Used In)</b>		
<b>Operating Activities</b>	<u>(322,173)</u>	<u>(177,234)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Grant Revenue	102,796	-
Other Revenue	12,128	2,428
<b>Net Cash Provided By</b>		
<b>Non-Capital Financing Activities</b>	<u>114,924</u>	<u>2,428</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital Contributed - Sewer Tap Fees	39,501	245,247
Revenue Note Payable	(20,000)	(15,000)
Acquisition of Capital Assets	(50,276)	(99,698)
<b>Net Cash Provided By (Used In)</b>		
<b>Capital and Related Financing Activities</b>	<u>(30,775)</u>	<u>130,549</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Rental Income	13,200	14,000
(Increase) in Reserve Account - Restricted	(21)	(7,060)
Interest Received	2,404	2,641
<b>Net Cash Provided By</b>		
<b>Investing Activities</b>	<u>15,583</u>	<u>9,581</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(222,441)</u>	<u>(34,676)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>543,578</u>	<u>578,254</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 321,137</u>	<u>\$ 543,578</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:</b>		
<b>(Loss) from Operations</b>	\$ (459,360)	\$ (525,173)
<b>Net Cash (Used In) Operating Activities:</b>		
Depreciation	196,016	194,020
<b>Changes in Assets and Liabilities:</b>		
(Increase) Decrease in Receivables	(5,164)	2,611
(Increase) Decrease in Prepaid Expenses	1,088	(18,839)
Increase (Decrease) in Accounts Payable	(115,265)	185,607
(Decrease) in Payroll Taxes Payable and Accrued Vacation	(8,665)	(8,938)
Increase in Net Pension Liability	82,106	82,502
(Increase) in Deferred Outflows	(6,915)	(96,380)
Increase (Decrease) in Deferred Inflows	(6,014)	7,356
<b>Net Cash (Used In)</b>		
<b>Operating Activities</b>	<u>\$ (322,173)</u>	<u>\$ (177,234)</u>

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

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**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 (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, 2017 AND 2016**

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### **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, 2017 AND 2016**

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**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 Statements 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, 2017 AND 2016**

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**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 2017 and 2016, due to the bond being paid-in-full during 2007. For the year ended December 31, 2018 the District has levied property taxes to pay for the judgement discussed in footnote 12.

**Fair Value of Financial Instruments.** The Districts' financial instruments include cash and cash equivalents, 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, 2017 and 2016, respectively, the fair value of the note approximated the amounts recorded in the financial statements.

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**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 three components: invested in capital assets - net of related debt, restricted 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.

**Unrestricted Net Position.** This component consists of all other net position that does not meet the definition of the above two 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, 2017 AND 2016**

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**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, 2017 and 2016, none of the District's bank deposits were exposed to credit risk.

At December 31, 2017 and 2016, the District's cash deposits had a carrying and bank balance as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Carrying Balance</u>	<u>Bank Balance</u>	<u>Carrying Balance</u>	<u>Bank Balance</u>
Cash on Hand	\$ 100	\$ -	\$ 100	\$ -
Restricted Deposit	42,127	42,147	42,106	42,106
Insured Deposits (FDIC)	<u>252,340</u>	<u>254,664</u>	<u>293,886</u>	<u>298,973</u>
 Total Cash	 <u>\$ 294,567</u>	 <u>\$ 296,811</u>	 <u>\$ 336,092</u>	 <u>\$ 341,079</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, 2017 AND 2016

#### 2 Cash and Cash Investments. (Continued)

**Local Government Investment Pool.** At December 31, 2017 and 2016, the District had invested \$68,697 and \$249,592, 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, 2017 and 2016, 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 Capital Assets.

Changes in capital assets for the years ended December 31, 2017 and 2016, are summarized as follows:

	Balance Jan. 1, 2017	Additions	Reclassifications/ Retirements	Balance Dec. 31, 2017
Construction in Process	\$ 99,698	\$ -	(\$ 99,698)	\$ -
Office, Building, Land and Improvements	605,416	56,885	82,259	744,560
Collection System	3,485,826	7,784	-	3,493,610
Office Equipment	43,355	-	-	43,355
Equipment	36,449	3,046	-	39,495
ARRA Wakonda Hills Collection System	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
<b>Total Capital Assets</b>	<u>\$ 6,270,744</u>	<u>\$ 67,715</u>	<u>(\$ 17,439)</u>	<u>\$ 6,321,020</u>
Accumulated Depreciation:				
Office, Building, Land and Improvements	\$ 204,332	\$ 15,227	\$ -	\$ 219,559
Collection System	1,317,202	113,629	-	1,430,831
Office Equipment	43,354	-	-	43,354
Equipment	31,853	2,644	-	34,497
ARRA Wakonda Hills Collection System	<u>387,097</u>	<u>64,516</u>	<u>-</u>	<u>451,613</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 1,983,838</u>	<u>\$ 196,016</u>	<u>\$ -</u>	<u>\$ 2,179,854</u>

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**3 Capital Assets. (Continued)**

	Balance Jan. 1, 2016	Additions	Reclassifications/ Retirements	Balance Dec. 31, 2016
Construction in Progress	\$ -	\$ 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	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
<b>Total Capital Assets</b>	<b><u>\$ 6,171,046</u></b>	<b><u>\$ 99,698</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,270,744</u></b>
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	<u>322,581</u>	<u>64,516</u>	<u>-</u>	<u>387,097</u>
<b>Total Accumulated Depreciation</b>	<b><u>\$ 1,789,818</u></b>	<b><u>\$ 194,020</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,983,838</u></b>

**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, 2017 and 2016, the District's ownership interest in TLWWTF reflected in the Statements of Net Position as Investment in Joint Use Facility, was \$2,526,845 and \$2,601,220, respectively. The District's share of the change in net position of the TLWWTF for the years ended December 31, 2017 and 2016, reflected in the Statements of Revenues, Expenses, and Changes in Net Position as Gain (Loss) from Investment in Joint Use Facility, was (\$74,375) and \$340,285, respectively.

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash	\$ 3,589	\$ 14,520
Accounts Receivable	75,297	493,114
Prepaid Expenses	49,631	38,643
Capital Assets - Net of Accumulated Depreciation	<u>7,993,819</u>	<u>8,164,985</u>
Total Assets	<u>8,122,336</u>	<u>8,711,262</u>
Deferred Outflows of Resources – Related to Pensions	<u>179,876</u>	<u>122,005</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,302,212</u>	<u>\$ 8,833,267</u>
Accounts Payable	\$ 15,239	\$ 451,482
Compensated Absences	108,624	103,864
Deposits Held	59,173	59,173
Net Pension Liability	<u>576,125</u>	<u>432,863</u>
Total Liabilities	759,161	1,047,382
Total Net Position	7,529,535	7,752,660
Deferred Inflows of Resources – Related to Pensions	<u>13,516</u>	<u>33,225</u>
Total Liabilities, Net Position, and Deferred Inflows of Resources	<u>\$ 8,302,212</u>	<u>\$ 8,833,267</u>
Operating Revenues	\$ 1,103,476	\$ 2,084,308
Non-Operating Revenues	425	893
Operating (Expenses)	<u>( 1,327,026)</u>	<u>( 1,064,345)</u>
Net Income (Loss)	<u>(\$ 223,125)</u>	<u>\$ 1,020,856</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, 2017 and 2016, are the following charges related to the joint use facility:

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**4 Investment in Joint Use Facility. (Continued)**

	<u>2017</u>	<u>2016</u>
Operating Expenses Charged by TLWWTF	\$ 301,824	\$ 529,644
Other – Sludge Removal	<u>39,991</u>	<u>-</u>
Total Sewage Treatment and Disposal Expense	<u>\$ 341,815</u>	<u>\$ 529,644</u>

As of December 31, 2017 and 2016, the District owed the Tri-Lakes Wastewater Treatment Facility \$337,203 and \$366,628, 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>2017</u>	<u>2016</u>
Net Position TLWWTF	\$ 7,529,535	\$ 7,752,660
District's Equity Percentage	<u>33 1/3%</u>	<u>33 1/3%</u>
District's Ownership Interest	2,509,845	2,584,220
Escrow Deposit	<u>17,000</u>	<u>17,000</u>
Investment in Joint Use Facility	<u>\$ 2,526,845</u>	<u>\$ 2,601,220</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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 375,000	\$ 390,000
Principal Payments	<u>( 20,000)</u>	<u>( 15,000)</u>
Balance, December 31	<u>\$ 355,000</u>	<u>\$ 375,000</u>

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**5 Revenue Note Payable. (Continued)**

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

	<u>Principal</u>	<u>Interest</u>
2018	\$ 25,000	\$ 12,816
2019	30,000	11,913
2020	30,000	10,830
2021	30,000	9,747
2022	30,000	8,664
2023-2027	170,000	26,352
2028	40,000	722
	<u>\$ 355,000</u>	<u>\$ 81,044</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, 2017 and 2016, the balance of the reserve account was \$42,127 and \$42,106, respectively, and is reflected as Reserve Account - Restricted in the Statements 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, 2017 AND 2016**

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**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, 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, 2016, 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 paid as of December 31, 2017.

**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, 2017 and 2016. 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, 2017 AND 2016

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#### **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](http://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, 2017 AND 2016

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#### **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, 2017 AND 2016**

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**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 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:

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

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$27,604, for the year ended December 31, 2017.

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**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, 2017, the District reported a liability of \$486,510, 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 District proportion of the net pension liability was based on 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 District proportion was .0360286773%, which was an decrease of .00068% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of \$99,528. At December 31, 2017, 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	\$8,657	-
Changes in assumptions or other inputs	34,509	-
Net difference between projected and actual earnings on pension plan investments	58,428	\$1,407
Changes in proportion and differences between contributions recognized and proportionate share of contributions	18,346	-
Contributions subsequent to the measurement date	27,604	-
Total	\$147,544	\$1,407

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**8 Defined Benefit Pension Plan. (Continued)**

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

\$27,604 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, 2017. 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,	
2018	(\$52,959)
2019	(\$48,481)
2020	(\$17,093)

**Actuarial Assumptions.** The total pension liability in the December 31, 2015 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 %
Discount rate	7.50 %
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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**8 Defined Benefit Pension Plan. (Continued)**

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

Actuarial cost method	Entry age
Price inflation	2.40 %
Real wage growth	1.10 %
Wage inflation	3.50 %
Salary increases, including wage inflation	3.50 – 10.45 %
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 %
Discount rate	7.25 %
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 used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55% of the base rate for males and 40% of the base rate for females. For disabled retirees, the RP-2000 Disability Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

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.

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.

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**8 Defined Benefit Pension Plan. (Continued)**

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

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 108 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.

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**8 Defined Benefit Pension Plan. (Continued)**

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

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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:

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

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**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.** 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 cost method and assumptions shown above. 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%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**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)***

- 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 of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate, and therefore, the discount rate is at 7.25%.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

**MONUMENT SANITATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**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 7.25 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-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$717,337	\$486,510	\$295,360

***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](http://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](http://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, 2017, 2016, and 2015, the District contributions to the HCTF were \$2,747, \$2,139, and \$2,335, respectively, equal to their required contributions for each year.

## **MONUMENT SANITATION DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016**

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#### **10 Defined Contribution Plan.**

**Plan Description.** Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the 401 (k) Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Funding Policy.** The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. There were no District matching contributions for the years ended December 31, 2017 and 2016.

#### **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, 2017 AND 2016**

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**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 payment for the year ending December 31, is as follows:

2018	\$ <u>765</u>
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**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, 2016, the District recorded a \$439,952 liability which is included in Accounts Payable on the Statements 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, 2017, the District recorded a liability of \$337,203, which is included in Accounts Payable on the Statements of Net Position to accrue the remaining net amounts due to the TLWWTF for the costs of construction as determined by the settlement agreement.

**REQUIRED 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, 2017  
(See Independent Auditors' Report)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
User Fees	\$ 662,000	\$ 683,474	\$ 21,474
Interest Income	500	2,404	1,904
Other Revenue	8,000	12,128	4,128
Rental Income	33,600	13,200	(20,400)
Grant Revenue	-	1,523	1,523
Tap Fees	50,000	30,800	(19,200)
<b>Total Revenues</b>	<u>\$ 754,100</u>	<u>\$ 743,529</u>	<u>\$ (10,571)</u>
<b>EXPENDITURES</b>			
Revenue Loan Payment	\$ 20,000	\$ 20,000	\$ -
Administration:			
Accounting	10,000	10,495	(495)
Auditing	8,600	10,450	(1,850)
Bank Charges	200	120	80
Janitorial	6,000	5,380	620
Licenses and Fees	500	-	500
Office Equipment Repairs	2,500	6,092	(3,592)
Office Supplies	7,000	9,774	(2,774)
Postage and Meter Rental	12,500	9,596	2,904
Publishing	500	372	128
Recording and Reporting	1,500	-	1,500
Rent - Storage	2,248	2,600	(352)
Telephone	8,000	7,641	359
Workshops and Conferences	1,500	575	925
	<u>61,048</u>	<u>63,095</u>	<u>(2,047)</u>
Public Works:			
Joint Use Fees	198,862	299,541	(100,679)
Repairs and Maintenance	20,000	18,465	1,535
Sludge Removal	64,721	39,991	24,730
Trails End Lift Station Utilities	2,640	2,640	-
	<u>286,223</u>	<u>360,637</u>	<u>(74,414)</u>

**MONUMENT SANITATION DISTRICT**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
BUDGET TO ACTUAL - PROPRIETARY FUND (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(See Independent Auditors' Report)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENDITURES (CONTINUED)</b>			
Employee Expenses:			
Payroll Taxes	\$ 3,145	\$ 4,605	\$ (1,460)
Pension Expense	29,719	30,351	(632)
Salaries and Wages	216,930	255,944	(39,014)
Travel and Lodging	4,500	1,561	2,939
Health Insurance	32,306	30,161	2,145
Workers Compensation	2,702	2,854	(152)
	<u>289,302</u>	<u>325,476</u>	<u>(36,174)</u>
Building Expenses:			
Utilities and Trash	9,000	8,555	445
Repairs and Maintenance	9,500	9,539	(39)
Insurance	16,138	15,737	401
	<u>34,638</u>	<u>33,831</u>	<u>807</u>
Other Expenses:			
Advertising and Promotion	1,000	-	1,000
Interest Expense	13,538	13,538	-
Business Meals	500	525	(25)
Dues and Subscriptions	2,500	4,122	(1,622)
Legal Fees	15,000	41,642	(26,642)
Professional Fees	3,000	1,919	1,081
Engineering Fees	6,000	8,047	(2,047)
Contingency	20,000	610	19,390
Sick Leave/Vacation Reserve	-	4,019	(4,019)
Truck and Fuel Maintenance	2,500	6,262	(3,762)
Capital Improvements - JUC	-	8,283	(8,283)
Capital Improvements - District	530,210	67,715	462,495
	<u>594,248</u>	<u>156,682</u>	<u>437,566</u>
<b>Total Expenditures</b>	<u>1,285,459</u>	<u>959,721</u>	<u>325,738</u>
<b>REVENUE (UNDER) EXPENDITURES</b>	<u>\$ (531,359)</u>	<u>(216,192)</u>	<u>\$ 315,167</u>
<b>INCREASE (DECREASE) TO RECONCILE BUDGETARY BASIS TO GAAP BASIS:</b>			
Revenue Loan Payment		20,000	
Sick Leave/Vacation Reserve		(5,635)	
Increase in Pension Accrual		(69,177)	
Capital Improvements - District		67,715	
Depreciation Expense		(196,016)	
(Loss) from Joint Use Facility		(74,375)	
<b>(DECREASE) IN NET POSITION</b>		<u>\$ (473,680)</u>	

**MONUMENT SANITATION DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY - PROPRIETARY FUND  
FOR THE YEARS ENDING DECEMBER 31, 2017, 2016, AND 2015  
(See Independent Auditors' Report)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportionate Share of the Net Pension Liability	0.036028%	0.036711%	0.035914%
District's Proportionate Share of the Net Pension Liability	\$ 486,510	\$ 404,404	\$ 321,902
District's Covered Payroll	\$ 255,944	\$ 209,716	\$ 228,962
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	190%	193%	141%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.60%	76.90%	80.71%

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

**MONUMENT SANITATION DISTRICT**

**SCHEDULE OF THE DISTRICT'S REQUIRED CONTRIBUTIONS -  
PROPRIETARY FUND  
FOR THE YEARS ENDING DECEMBER 31, 2017, 2016, 2015, AND 2014  
(See Independent Auditors' Report)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 27,604	\$ 30,085	\$ 26,841	\$ 24,593
Contributions in Relation to the Contractually Required Contribution	<u>(27,604)</u>	<u>(30,085)</u>	<u>(26,841)</u>	<u>(24,593)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 255,944	\$ 209,716	\$ 228,962	\$ 213,893
Contribution as a Percentage of Covered Employee Payroll	10.79%	14.35%	11.72%	11.50%

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

