

**MOUNTAIN WATER AND SANITATION DISTRICT
Conifer, CO**

**FINANCIAL STATEMENTS
December 31, 2017 and 2016**

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June 14, 2018

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mountain Water and Sanitation District

We have audited the accompanying financial statements of the business-type activities and each major fund of Mountain Water and Sanitation District as of and for the year ended December 31, 2017 and 2016, which collectively comprise the District's basic financial statements as listed in the table of contents and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Mountain Water and Sanitation District as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the District's Proportionate Share of the Net Pension Liability – PERA and Schedule of Pension Contributions – PERA on pages 3-6 and pages 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mountain Water and Sanitation District's basic financial statements as a whole. The other supplemental information, as listed in the table of contents, on pages 29-30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Brighton, Colorado
June 5, 2018

Management's Discussion and Analysis

Mountain Water & Sanitation District

**12365 US Highway 285
Conifer, Colorado 80433**

Management's Discussion and Analysis

Introduction:

The Mountain Water & Sanitation District's management discussion and analysis is intended to provide you, the reader and user of our financial statements, with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budget; and, (e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2017 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 7.

Overview of the Financial Statements of the District:

The audited financial statements of the District are:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements

These statements are on pages 7 through 20. These and the Supplementary Information, on page 26 through 29 provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net Position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining the status quo.

The **Statement of Revenues, Expenses, and Changes in Net Position** provides information about the components – Operating Revenues, Operating Expenses and Non-Operating Revenues and Expenses – of the District's annual operating activities and how those activities affected net position.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule of Revenues and Expenditures** provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, this will include a comparison of the originally approved budget with the final amended budget.

Condensed Comparative Financial Information:

	Statement of Net Position		
	2017	2016	2015
Current Assets			
Cash and cash equivalents	\$ 1,032,708	\$ 1,142,919	\$ 990,730
Other current assets	336,816	317,918	316,751
	<u>1,369,524</u>	<u>1,460,837</u>	<u>1,307,481</u>
Non Current Assets			
Capital assets – net	\$ 5,267,514	\$ 5,264,571	\$ 5,468,379
Other non current assets	45,446	47,840	47,840
Total Assets	<u>6,682,484</u>	<u>6,773,248</u>	<u>6,823,700</u>
Deferred Outflows of Resources	<u>93,853</u>	<u>89,649</u>	<u>37,217</u>
Current Liabilities	197,418	189,451	175,775
Long – Term Debt	2,423,446	2,572,391	2,664,403
Total Liabilities	<u>2,620,864</u>	<u>2,761,842</u>	<u>2,840,178</u>
Deferred Inflows of Resources	<u>289,536</u>	<u>267,772</u>	<u>267,986</u>
Net Position			
Net investment in capital assets	3,042,514	2,889,571	2,943,379
Restricted	112,443	108,333	95,471
Unrestricted	710,980	835,379	713,903
Total Net Position	<u>\$ 3,865,937</u>	<u>\$ 3,833,283</u>	<u>\$ 3,752,753</u>

Statement of Revenues, Expenses, and Changes in Net Position

	2017	2016	2015
Operating Revenues	\$ 516,599	\$ 508,626	\$ 510,852
Operating Expenses	772,865	708,232	581,667
Operating Income (Loss)	<u>(256,266)</u>	<u>(199,606)</u>	<u>(70,815)</u>
Non Operating Revenues (Expenses)	<u>288,920</u>	<u>280,136</u>	<u>390,200</u>
Change in Net Position	32,654	80,530	319,385
Net Position, Beginning of Year	3,833,283	3,752,753	3,433,368
Net Position, End of Year	<u>\$ 3,865,937</u>	<u>\$ 3,833,283</u>	<u>\$ 3,752,753</u>

Statement of Cash Flows

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash from (for) Operating Activities	\$ (48,884)	\$ 22,053	\$ (202,190)
Cash from Non Capital Financing Activities	279,442	274,088	483,929
Cash from (for) Capital and Related Financing Activities	(350,247)	(150,000)	(60,478)
Cash from (for) Investing Activities	<u>9,478</u>	<u>6,048</u>	<u>2,106</u>
Increase (Decrease)	<u>(110,211)</u>	<u>152,189</u>	<u>223,367</u>
Cash and Cash Equivalents, Beginning of Year	1,142,919	990,730	767,363
Cash and Cash Equivalents, End of Year	<u>\$ 1,032,708</u>	<u>\$ 1,142,919</u>	<u>\$ 990,730</u>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

Analysis of Financial Position and Operating Results:

Net position increased in 2017 by \$32,654 to \$3,865,937 which is the result of the operating loss of \$256,266, less net non-operating revenues of \$288,920.

Unrestricted cash, cash equivalents, and investments of the District at December 31, 2017, totaled \$1,032,708, which represents approximately 75% of the District's current assets and approximately 15% of the District's total assets.

Capital Assets, net of accumulated depreciation, of the District at December 31, 2017, totaled \$5,267,514.

Operating income / (loss) for 2017, before depreciation and amortization expense, was (\$56,568) in 2017 compared to \$4,202 in 2016. This was principally due to increased system operating costs for the year.

Net non-operating revenues for 2017 were \$8,784 more than in 2016, due to higher specific ownership taxes and investment income. For more information about these changes in net position and the operating activities, please review the accompanying audited financial statements beginning on page 7.

Analysis of Budgetary Comparison Schedule of Revenues and Expenditures:

Actual revenues in 2017 were \$18,406 more than the original and final budgeted revenues for the District. This is principally due to receiving higher taxes than anticipated. The District's actual expenditures in 2017 were \$74,221 less than the original and final budgeted expenditures. This is principally due to lower than budgeted capital spending. For more information about the budgeted and actual revenues and expenditures, please review the Budgetary Comparison Schedule of Revenues and Expenditures, which is on page 28 in the accompanying audited financial statements.

Capital Asset and Long Term Debt Activity:

The 2017 budget authorized \$232,000 in capital spending. Actual capital spending in 2017 was \$202,641.

The District acquired no new long-term debt. The District has two notes that requires principal payments of \$150,000 per year, in aggregate, until the notes are retired and bears interest at a rate of 0%. For more information about the District's capital assets and long-term debt, please review pages 16 through 17 of the Notes to Financial Statements in the accompanying audited financial statements.

The District depreciates its capital assets. See Note 1 of Notes to Financial Statements – Summary of Significant Accounting Policies – Assets and Liabilities – Capital Assets on page 12 and Note 4 of Notes to Financial Statements – Capital Assets on pages 15-16.

Facts, Decisions, and Conditions That May Impact Future Financial Condition or Operating Results:

Ageing infrastructure is the only known condition that may impact future financial or operating results. Most of the District's water and wastewater mains were installed 40 to 50 years ago. The District's unrestricted cash reserves will not cover the cost of new mains. The District is utilizing strict controls to ensure that revenues exceed expenditures so that the unrestricted cash reserves will increase over the next several years. The District will also continue to apply for grant money to fund infrastructure projects.

Ken Pfohl
Manager
Mountain Water and Sanitation District

Basic Financial Statements

Mountain Water and Sanitation District
Statement of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,032,708	\$ 1,142,919
Accounts receivable-service charges	59,717	47,228
Taxes receivable - County Treasurer	1,711	1,711
Property taxes receivable	260,320	254,677
Prepaid expenses	15,068	14,302
Total Current Assets	1,369,524	1,460,837
Noncurrent Assets		
Investment in cooperatives	35,945	38,339
Decommissioning escrow account	9,312	9,312
Deposits	189	189
	45,446	47,840
Capital assets		
Nondepreciable	348,877	239,388
Depreciable	7,761,173	7,668,021
Less: Accumulated depreciation	(2,842,536)	(2,642,838)
Net Capital Assets	5,267,514	5,264,571
Total Noncurrent Assets	5,312,960	5,312,411
Total Assets	6,682,484	6,773,248
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	93,853	89,649
Total Deferred Outflows of Resources	93,853	89,649
Liabilities		
Current Liabilities		
Accounts payable	39,919	29,096
Other accrued liabilities	7,499	5,010
Prepaid development fees	-	5,345
Long-term debt, current portion	150,000	150,000
Total Current Liabilities	197,418	189,451
Noncurrent Liabilities		
Net pension liability	348,446	347,391
Long-term debt, net of current portion	2,075,000	2,225,000
Total Long Term Liabilities	2,423,446	2,572,391
Total Liabilities	2,620,864	2,761,842
Deferred Inflows of Resources		
Deferred Inflows - Pensions	29,216	13,095
Deferred property taxes	260,320	254,677
Total Deferred Inflows of Resources	289,536	267,772
Net Position		
Net investment in capital assets	3,042,514	2,889,571
Restricted for emergencies	19,779	15,132
Restricted for debt service	92,664	93,201
Unrestricted	710,980	835,379
Total Net Position	\$ 3,865,937	\$ 3,833,283

The accompanying notes are an integral part of these financial statements

Mountain Water and Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues		
Service charges	\$ 508,483	\$ 491,775
Delinquent charges	7,292	7,764
Other revenue	824	9,087
	516,599	508,626
Operating Expenses		
Wages and employee benefits	218,222	210,341
Depreciation	199,698	203,808
Water and wastewater system	248,881	177,897
General and administration	106,064	116,186
	772,865	708,232
Total Operating Expenses		
	772,865	708,232
Operating Loss	(256,266)	(199,606)
Nonoperating Revenues (Expenses)		
Property taxes - operations	107,439	109,257
Property taxes - debt service	145,320	143,520
Specific ownership taxes	24,671	20,311
Investment income	9,478	6,048
Availability fees	5,807	4,816
County treasurer fees	(3,795)	(3,816)
	288,920	280,136
Total Nonoperating Revenues (Expenses)		
	288,920	280,136
Change in Net Position	32,654	80,530
Net Position, beginning of year	3,833,283	3,752,753
Net Position, end of year	\$ 3,865,937	\$ 3,833,283

The accompanying notes are an integral part of these financial statements

Mountain Water and Sanitation District
Statement of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Cash received from customers	\$ 498,765	\$ 509,199
Cash paid to suppliers	(389,544)	(321,982)
Cash paid to employees	(158,105)	(165,164)
Net cash provided (used) by operating activities	(48,884)	22,053
Cash Flows From Non-Capital Financing Activities		
Property taxes net of treasurer fees	248,964	248,961
Specific ownership taxes	24,671	20,311
Availability fees received	5,807	4,816
Net cash provided by non-capital financing activities	279,442	274,088
Cash Flows From Capital And Related Financing Activities		
Acquisitions and construction of capital assets	(202,641)	-
Investment in cooperatives	2,394	-
Principal paid on loan	(150,000)	(150,000)
Net cash (used) by capital and related financing activities	(350,247)	(150,000)
Cash Flows From Investing Activities		
Investment income received	9,478	6,048
Net cash provided by investing activities	9,478	6,048
Net increase (decrease) in cash and cash equivalents	(110,211)	152,189
Cash and cash equivalents, beginning of year	1,142,919	990,730
Cash and cash equivalents, end of year	\$ 1,032,708	\$ 1,142,919
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Loss	\$ (256,266)	\$ (199,606)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation	199,698	203,808
Change in pension related items	12,972	3,604
Changes in assets and liabilities		
Accounts receivable	(12,489)	573
Prepaid expenses	(766)	(2)
Accounts payable	10,823	15,231
Prepaid development fees	(5,345)	-
Other accrued liabilities	2,489	(1,555)
Net Cash Provided (Used) by Operating Activities	\$ (48,884)	\$ 22,053

The accompanying notes are an integral part of these financial statements

Mountain Water and Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Note 1 Summary of Significant Accounting Policies

The Mountain Water and Sanitation District is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water and sanitation services within its jurisdictional boundaries.

The financial statements of the Mountain Water and Sanitation District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District follows all pronouncement issued by the Governmental Accounting Standards Board (GASB) which is the authoritative body. The significant accounting policies are described below.

Financial Reporting Entity

In accordance with governmental accounting standards, the Mountain Water and Sanitation District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability.

The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis

Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Allowance of Doubtful Accounts

No allowance is made for bad debts in the accompanying financial statements as substantially all revenues of the district originate from charges to the owners of the District, and the District has the ability to place liens on the property.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed once a month on 30 day cycles.

Assets and Liabilities

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 1 Summary of Significant Accounting Policies (Continued)

Capital assets - assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation over the estimated useful lives of the assets is computed using the straight-line method. The estimated useful lives are 50 years for water and wastewater lines, 50 years for disposal facilities, and 3 to 20 years for operating and office equipment.

Accrued vacation and sick pay - district employees accrue vacation and sick pay benefits based on tenure. The District recognizes the expense as they are incurred. Any vacation time that is not used by the end of the year is paid out by the District.

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted 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.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that does not meet the definition of “restricted” or net investment in capital assets.” These net position are available for future operations or distributions.

Deferred Outflows / Inflows of Resources

The District implemented the provisions of GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB 63) and the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities (GASB 65). As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Cash Equivalents

For purposes of the statement of cash flows and the statement of net position, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The District considers certificates of deposit with maturities of more than three months at date of purchase as investments.

**Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016**

Note 1 Summary of Significant Accounting Policies (Continued)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2017 and 2016, the District's cash deposits had a carrying balance of \$231,248 and \$350,370 a corresponding bank balance of \$236,819, and \$351,639, all of which were insured by the Federal Deposit Insurance Corporation, respectively.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under 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 or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017 and 2016, none of the District's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

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

**Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016**

Note 2 Cash and Investments (Continued)

At December 31, 2017 and 2016, the District had \$801,260 and \$792,349 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as 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. COLOTRUST is rated AAAM by Standard & Poor's and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

A summary of cash and investments at December 31, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 200	\$ 200
Cash deposits	231,248	350,370
COLOTRUST	<u>801,260</u>	<u>792,349</u>
Total cash and cash equivalents	<u>\$ 1,032,708</u>	<u>\$ 1,142,919</u>

Note 3 Accounts Receivable

Accounts receivable balance at December 31, 2017 and 2016, was comprised of the following:

	<u>2017</u>	<u>2016</u>
Water and sewer charges	\$ 59,717	\$ 47,228
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 59,717</u>	<u>\$ 47,228</u>

Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 4 Capital Assets

A summary of changes to capital assets for 2017 and 2016 is as follows:

	Balance at 12/31/2016	Additions	Deletions	Balance at 12/31/2017
Nondepreciable				
Land easements and water rights	\$ 239,388	\$ -	\$ -	\$ 239,388
Construction in progress	-	109,489	-	109,489
Total Nondepreciable	<u>239,388</u>	<u>109,489</u>	<u>-</u>	<u>348,877</u>
Depreciable				
Water facilities and lines	4,527,376	10,824	-	4,538,200
Sewer plant and lines	2,681,344	82,328	-	2,763,672
Buildings	112,902	-	-	112,902
Land improvements	4,900	-	-	4,900
Equipment	38,255	-	-	38,255
Vehicles	52,365	-	-	52,365
Sliplining	250,879	-	-	250,879
Total Depreciable	<u>7,668,021</u>	<u>93,152</u>	<u>-</u>	<u>7,761,173</u>
TOTAL	<u>7,907,409</u>	<u>202,641</u>	<u>-</u>	<u>8,110,050</u>
Less Accumulated Depreciation				
Water facilities and lines	(2,144,666)	(102,989)	-	(2,247,655)
Sewer plant and lines	(98,248)	(90,257)	-	(188,505)
Buildings	(84,104)	-	-	(84,104)
Land improvements	(3,124)	(245)	-	(3,369)
Equipment	(33,637)	(1,172)	-	(34,809)
Vehicles	(49,333)	(3,031)	-	(52,364)
Sliplining	(229,726)	(2,004)	-	(231,730)
Total Accumulated Depreciation	<u>(2,642,838)</u>	<u>(199,698)</u>	<u>-</u>	<u>(2,842,536)</u>
Net Capital Assets	<u>\$ 5,264,571</u>	<u>\$ 2,943</u>	<u>\$ -</u>	<u>\$ 5,267,514</u>

Depreciation expense for the year ended December 31, 2017 was \$199,698.

Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 4 Capital Assets (Continued)

	Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
Nondepreciable				
Land easements and water rights	\$ 239,388	\$ -	\$ -	\$ 239,388
Total Nondepreciable	<u>239,388</u>	<u>-</u>	<u>-</u>	<u>239,388</u>
Depreciable				
Water facilities and lines	4,527,376	-	-	4,527,376
Sewer plant and lines	2,681,344	-	-	2,681,344
Buildings	112,902	-	-	112,902
Land improvements	4,900	-	-	4,900
Equipment	38,255	-	-	38,255
Vehicles	52,365	-	-	52,365
Sliplining	250,879	-	-	250,879
Total Depreciable	<u>7,668,021</u>	<u>-</u>	<u>-</u>	<u>7,668,021</u>
TOTAL	<u>7,907,409</u>	<u>-</u>	<u>-</u>	<u>7,907,409</u>
Less Accumulated Depreciation				
Water facilities and lines	(2,041,692)	(102,974)	-	(2,144,666)
Sewer plant and lines	(8,265)	(89,983)	-	(98,248)
Buildings	(84,104)	-	-	(84,104)
Land improvements	(2,879)	(245)	-	(3,124)
Equipment	(30,231)	(3,406)	-	(33,637)
Vehicles	(44,137)	(5,196)	-	(49,333)
Sliplining	(227,722)	(2,004)	-	(229,726)
Total Accumulated Depreciation	<u>(2,439,030)</u>	<u>(203,808)</u>	<u>-</u>	<u>(2,642,838)</u>
Net Capital Assets	<u>\$ 5,468,379</u>	<u>\$ (203,808)</u>	<u>\$ -</u>	<u>\$ 5,264,571</u>

Depreciation expense for the year ended December 31, 2016 was \$203,808

Note 5 Long-term Debt

The District's long-term debt is as follows:

Drinking Water Revolving Fund Direct Loan – The District entered into a long term note with Colorado Water Resources and Power Development Authority on July 13, 2016 with a principal balance of \$1,000,000 and an interest rate of 0%. Payments in the amount of \$25,000 are due semi-annually through 2031. The note was secured by any and all moneys available to the District.

Water Pollution Control Revolving Fund Loan – The District entered into a long term note with Colorado Water Resources and Power Development Authority on November 19, 2017 with a principal balance of \$2,000,000 and an interest rate of 0%. Payments in the amount of \$50,000 are due semi-annually through 2033. The note was secured by any and all moneys available to the District.

Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 5 Long-term Debt (Continued)

Changes in Long-term Debt during 2017 and 2016 were as follows:

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Amounts Due Within One Year
Note Payable - CWRPDA	\$ 725,000	\$ -	\$ 50,000	\$ 675,000	\$ 50,000
Note Payable - CWRPDA	1,650,000	-	100,000	1,550,000	100,000
Total Long-term Debt	<u>\$ 2,375,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 2,225,000</u>	<u>\$ 150,000</u>

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Amounts Due Within One Year
Note Payable - CWRPDA	\$ 775,000	\$ -	\$ 50,000	\$ 725,000	\$ 50,000
Note Payable - CWRPDA	1,750,000	-	100,000	1,650,000	100,000
Total Long-term Debt	<u>\$ 2,525,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 2,375,000</u>	<u>\$ 150,000</u>

Future debt service requirements are as follows:

December 31,	Principal	Interest	Total
2018	150,000	-	150,000
2019	150,000	-	150,000
2020	150,000	-	150,000
2021	150,000	-	150,000
2022	150,000	-	150,000
2023-2027	750,000	-	750,000
2028-2032	575,000	-	575,000
2033-2034	150,000	-	150,000
Total	<u>\$ 2,225,000</u>	<u>\$ -</u>	<u>\$ 2,225,000</u>

Note 6 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. The District has created a Water and Wastewater statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution. In 2017 the District's voters approved a ballot issue that exempts the District from Revenue limitations.

Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 Defined Benefit Pension Plan

Public Employees Retirement Association of Colorado

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

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

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

Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 Defined Benefit Pension Plan (Continued)

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

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

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

Contributions. Eligible employees and 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:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer Contribution Rate ¹	10.00 %	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)%	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98 %	8.98 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411 ¹	2.20 %	2.20 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411 ¹	1.50 %	1.50 %
Total Employer Contribution Rate to the LGDTF ¹	12.68 %	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 \$110,746 for the year ended December 31, 2017.

**Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016**

Note 7 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 \$348,446 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 the District's 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's proportion was .000258042680 percent, which was a decrease of .000057313875 percent from its proportion as measured at December 31, 2015. For the year ended December 31, 2017, the District recognized pension expense of \$12,972. 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	\$ 6,201	\$ 0
Changes of assumptions or other inputs	\$ 24,716	\$ 1,008
Net difference between projected and actual earnings on pension plan investments	\$ 41,846	\$ 0
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 0	\$ 28,208
Contributions subsequent to the measurement date	\$ 21,090	N/A
Total	\$ 93,853	\$ 29,216

The District reported \$21,090 as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

<u>Year Ended</u>	<u>Pension Expense</u>
2018	\$ 37,288
2019	15,226
2020	11,726
2021	397
2022	-
Thereafter	-
Total	<u>\$ 64,637</u>

**Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016**

Note 7 Defined Benefit Pension Plan (Continued)

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 and effective as of December 31, 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:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled 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.

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

Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 Defined Benefit Pension Plan (Continued)

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.
- 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.

**Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016**

Note 7 Defined Benefit Pension Plan (Continued)

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

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

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 and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero.

**Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016**

Note 7 Defined Benefit Pension Plan (Continued)

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

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

Discount Rate:	6.25%	7.25%	8.25%
Proportionate share of the net pension liability	<u>\$513,767</u>	<u>\$348,446</u>	<u>\$211,541</u>

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.

Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 Defined Benefit Pension Plan (Continued)

Defined Contribution Pension Plans

Voluntary Investment Program

Plan Description - Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, 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 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.

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. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2016 program members contributed \$0 and the District recognized pension expense and a liability of \$0 and \$0 respectively, for the Voluntary Investment Program.

Other Post-Employment Benefits

Health Care Trust Fund

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 District 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 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, contributions to the HCTF were \$1,645, \$1,622 and \$1,731, respectively, equal to their required contributions for the year ended.

Note 8 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the

Mountain Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 8 Risk Management (Continued)

provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverages, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. The District's settled claims have not exceeded its insurance coverage in any of the last three years.

Note 9 Restricted Net position

The District has established an emergency reserve of \$19,779 and \$15,132 as of December 31, 2017 and 2016, respectively, to comply with Article X, Section 20 of the Colorado Constitution. The District has restricted a portion of property taxes collected and availability fees collected for the use of debt service in the amount of \$92,664 and \$93,201 as of December 31, 2017 and 2016, respectively.

Note 10 Reclassifications and Subsequent Events

Certain items have been reclassified from the previous year to conform with the presentation of the current years financial statements.

Required Supplementary Information

Mountain Water and Sanitation District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability - PERA
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.0258042680%	0.0315356555%	0.0322882804%	0.0355438113%
District's proportional share of the net pension liability as a percentage of covered payroll	\$ 348,446	\$ 347,391	\$ 289,403	\$ 292,497
District's covered payroll	165,164	169,735	176,924	186,380
Total pension liability	5,123,847,000	4,762,090,000	4,647,777,000	4,517,239,000
Plan fiduciary net position	<u>3,773,506,000</u>	<u>3,660,509,000</u>	<u>3,751,468,000</u>	<u>3,508,312,000</u>
Net pension liability	<u>\$ 1,350,341,000</u>	<u>\$ 1,101,581,000</u>	<u>\$ 896,309,000</u>	<u>\$ 1,008,927,000</u>
Plan fiduciary net position as a percentage of the total pension liability	74%	77%	81%	78%
Net Pension liability as a percentage of covered payroll	211%	205%	164%	157%

* Information for the prior 6 years was not available to report

**Mountain Water and Sanitation District
Required Supplementary Information
Schedule of Pension Contributions - PERA
Last 10 Fiscal Years**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily Required Contribution	20,445	20,943	21,523	22,434	25,979	25,606	23,586	24,222	21,371	18,261	15,448
Contributions in Relation to the Statutorily Required Contribution	20,445	20,943	21,523	22,434	25,979	25,606	23,586	24,222	21,371	18,261	15,448
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-	-
Covered Payroll	161,235	165,164	169,735	176,924	186,380	170,907	170,653	175,202	164,182	151,851	138,831
Contributions as a % of Covered Payroll	12.68%	12.68%	12.68%	12.68%	13.94%	14.98%	13.82%	13.83%	13.02%	12.03%	11.13%

See the accompanying Independent Auditor's report

Other Supplementary Information

Mountain Water and Sanitation District
Budgetary Comparison Schedule - Non GAAP Basis
For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees	\$ 505,440	\$ 508,483	\$ 3,043
Property taxes - operations	109,357	107,439	(1,918)
Property taxes - debt service	145,320	145,320	-
Specific ownership taxes	19,000	24,671	5,671
Delinquent charges	-	7,292	7,292
Investment income	2,111	9,478	7,367
Availability fees	4,680	5,807	1,127
Other income	5,000	824	(4,176)
Total Revenues	<u>790,908</u>	<u>809,314</u>	<u>\$ 18,406</u>
Expenses			
Personnel expenses	197,120	218,222	(21,102)
System operating expenses	290,322	248,881	41,441
General and administrative	129,588	106,064	23,524
County treasurer fees	4,794	3,795	999
Bond principal and interest	150,000	150,000	-
Capital outlay	232,000	202,641	29,359
Total Expenses	<u>1,003,824</u>	<u>929,603</u>	<u>74,221</u>
Revenues (under) Expenditures	<u>\$ (212,916)</u>	<u>\$ (120,289)</u>	<u>\$ 92,627</u>
Reconciliation to statement of revenues, expenditures and changes in net position			
Depreciation expense		(199,698)	
Capital outlay		202,641	
Bond principal		150,000	
Change in net position		<u>32,654</u>	

Mountain Water and Sanitation District
Schedule of Operations by Activity
For the Year Ended December 31, 2017

	<u>Water</u>	<u>Wastewater</u>	<u>Total 2017</u>
Operating Revenues			
Metered water sales	\$ 289,836	\$ -	\$ 289,836
Wastewater treatment charges	-	218,647	218,647
Other revenue	222	602	824
Delinquent charges	4,156	3,136	7,292
	<u>294,214</u>	<u>222,385</u>	<u>516,599</u>
Operating Expenses			
Wages and employee benefits	124,387	93,835	218,222
Depreciation	102,989	96,709	199,698
System operating expenses	141,862	107,019	248,881
General and administration	60,456	45,608	106,064
	<u>429,694</u>	<u>343,171</u>	<u>772,865</u>
Total Operating Expenses			
Operating Loss	(135,480)	(120,786)	(256,266)
Non Operating Revenues (Expenses)			
Property taxes - operations	47,605	59,834	107,439
Property taxes - debt service	47,592	97,728	145,320
Specific ownership taxes	9,188	15,483	24,671
Investment income	678	8,800	9,478
Availability fees	2,904	2,903	5,807
County treasurer fees	(1,169)	(2,626)	(3,795)
	<u>106,798</u>	<u>182,122</u>	<u>288,920</u>
Total Non Operating Revenues (Expenses)			
Change in Net Position	<u>\$ (28,682)</u>	<u>\$ 61,336</u>	<u>\$ 32,654</u>