

# ALPINE METROPOLITAN DISTRICT

## Financial Statements

December 31, 2016



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*By the Office of the State Auditor at 10:49 am, Jul 13, 2017*

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## Independent Auditor's Report

Board of Directors  
Alpine Metropolitan District  
Breckenridge, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Alpine Metropolitan District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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

## **Restatement**

As discussed in Note 12 to the financial statements, the beginning fund balance of the general and capital projects funds has been restated as of January 1, 2016 to defer previously recognized intergovernmental revenue until the amounts are expended in future periods. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 5 and budgetary comparison information on pages 23 to 24 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alpine Metropolitan District's financial statements. The budgetary comparison schedule for the Capital Projects Fund is presented for purposes of additional analysis and is not a required part of the financial statements.

The budgetary comparison schedule for the Capital Projects Fund on page 25 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 budgetary comparison schedule for the Capital Projects Fund is fairly stated, in all material respects, in relation to the financial statements as a whole.



Fort Collins, Colorado  
June 30, 2017

**Required Supplementary Information**

**Management's Discussion and Analysis**

# Alpine Metropolitan District

## Management's Discussion and Analysis December 31, 2016

As management of Alpine Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also includes additional supplementary information after the notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is the installation and operation of the roadway and other infrastructure systems in the community.

The government-wide financial statements can be found on pages 6 and 7 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has two funds, the General Fund and the Capital Projects Fund, both of which are governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental funds financial statements are located on pages 8 through 10 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 11 through 22 of this report.

**Government-wide Financial Analysis.** The following tables show condensed financial information derived from the government-wide financial statements comparing the current year to the prior year.

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Current assets	\$ 803,383	\$ 945,036
Non-current assets	1,713,741	1,484,553
<b>Total Assets</b>	<b>2,517,124</b>	<b>2,429,589</b>
<b>Liabilities:</b>		
Current liabilities	8,692	1,859
Non-current liabilities	794,691	943,177
<b>Total Liabilities</b>	<b>803,383</b>	<b>945,036</b>
<b>Net position:</b>		
Net Investment in Capital Assets	1,713,741	1,484,553
Restricted for emergencies	5,478	1,837
Unrestricted	(5,478)	(1,837)
<b>Total Net Position</b>	<b>\$ 1,713,741</b>	<b>\$ 1,484,553</b>
<b>Revenue:</b>		
Program Revenue:		
Charges for Services	\$ -	\$ -
Operating grants & contributions	170,407	39,466
Capital grants & contributions	309,066	539,544
General Revenue:		
Property taxes	-	-
Interest and other revenue	3,647	1,712
<b>Total Revenue</b>	<b>483,120</b>	<b>580,722</b>
<b>EXPENSES:</b>		
Program expenses:		
General government	172,745	61,241
Public works - IGA	22,661	17,542
Public works	58,526	49,857
<b>Total Expenses</b>	<b>253,932</b>	<b>128,640</b>
<b>Change in Net Position</b>	<b>229,188</b>	<b>452,082</b>
<b>Net Position - Beginning</b>	<b>1,484,553</b>	<b>1,032,471</b>
<b>Net Position - Ending</b>	<b>\$ 1,713,741</b>	<b>\$ 1,484,553</b>

The District is the “service district” in a dual district structure whereby the District is constructing, operating and maintaining the infrastructure for the constituents of Breckenridge Mountain Metropolitan District (BMMD). The District entered into a District Facilities Construction and Service Agreement with BMMD and pursuant to this agreement, the District is obligated to construct and provide the initial financing for the primary infrastructure for the BMMD area. BMMD is the “financing district” and as such, has and will continue to pay a “capital obligation” to reimburse the District for the costs to construct the infrastructure as well as a “service obligation” to reimburse the District for the operating costs associated with administering and maintaining the assets.

The District's overall financial position, as measured by net position, increased during 2016 as a result of acceptance of capital improvements. The District's funding primarily consisted of capital and service obligation payments received from Breckenridge Mountain Metropolitan District. The expenses of the District were the operating costs associated with administering and maintaining the assets and depreciation of those assets.

### **Financial Analysis of the District's Funds**

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$-0-. This is the result of accumulated but unspent capital and service obligation payments received from Breckenridge Mountain Metropolitan District which are reflected as unearned income until expended.

**Budget variances.** The District expenditures were in line with amended budget results. During 2016, the District's original budget was amended as a result of increased legal and accounting expenses related to increased development activity. Details can be seen on pages 23 through 25 of this report.

**Capital assets.** The District's investment in capital assets net of accumulated depreciation increased by \$229,188 as a result of the acceptance of improvements. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement on page 19 of this report.

**Long-term debt.** The District does not currently have long-term debt. Additional information can be found in the Notes to the Financial Statement on page 19 of this report.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Alpine Metropolitan District, Marchetti & Weaver LLC, 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

## **Government-wide Financial Statements**

**Alpine Metropolitan District**  
**Statement of Net Position**  
December 31, 2016

**Assets**

**Current Assets**

Cash and cash equivalents - restricted	\$	796,983
Due from Breckenridge Mountain Metropolitan District		1,331
Prepaid expenses		<u>5,069</u>
Total Current Assets		<u>803,383</u>

**Noncurrent Assets**

Capital Assets		
Depreciable		1,737,564
Nondepreciable		<u>287,714</u>
		2,025,278
Less accumulated depreciation		<u>(311,537)</u>
Net Capital Assets		<u>1,713,741</u>
Total Assets	\$	<u>2,517,124</u>

**Liabilities**

**Current Liabilities**

Accounts payable	\$	8,692
Total Current Liabilities		<u>8,692</u>

**Noncurrent Liabilities**

Prepayment of obligations from Breckenridge Mountain Metropolitan District		<u>794,691</u>
Total Liabilities		<u>803,383</u>

**Net Position**

Net investment in capital assets		1,713,741
Restricted for emergencies		5,478
Unrestricted		<u>(5,478)</u>
Total Net Position	\$	<u>1,713,741</u>

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

**Alpine Metropolitan District**  
**Statement of Activities**  
For the Year Ended December 31, 2016

	Program Expenses	Program Revenue			Net (Expense) Revenue
		Charges for Services	Operating Contributions	Capital Contributions	
<b>Government Operations</b>					
General government	\$ 172,745	\$ -	\$ -	\$ 11,667	\$ (161,078)
Public works	58,526	-	-	-	(58,526)
Public works - Intergovernmental Agreement	22,661	-	170,407	297,399	445,145
Totals	<u>\$ 253,932</u>	<u>\$ -</u>	<u>\$ 170,407</u>	<u>\$ 309,066</u>	<u>225,541</u>
<b>General Revenue</b>					
Interest income					<u>3,647</u>
Total General Revenue					<u>3,647</u>
<b>Change in Net Position</b>					229,188
Net Position, beginning of year					<u>1,484,553</u>
Net Position, end of year					<u>\$ 1,713,741</u>

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

## **Fund Financial Statements**

**Alpine Metropolitan District**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2016**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents - restricted	\$ 83,848	\$ 713,135	\$ 796,983
Due from Breckenridge Mountain Metropolitan District	1,331	-	1,331
Prepaid expenses	5,069	-	5,069
<b>Total Assets</b>	<b>\$ 90,248</b>	<b>\$ 713,135</b>	<b>\$ 803,383</b>
<b>Liabilities</b>			
Accounts payable	\$ 8,692	\$ -	\$ 8,692
Unearned revenue	81,556	713,135	794,691
Total Liabilities	90,248	713,135	803,383
<b>Fund Balance</b>			
Non-spendable	5,069	-	5,069
Restricted for emergencies	5,478	-	5,478
Unassigned	(10,547)	-	(10,547)
	-	-	-
<b>Total Liabilities and Fund Balance</b>	<b>\$ 90,248</b>	<b>\$ 713,135</b>	<b>\$ 803,383</b>

**Reconciliation to the Statement of Net Position**

Total Fund Balance	\$ -
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, used in governmental funds are not current financial resources and, therefore, are not reported in the governmental funds.	1,713,741
Total Net Position	<b>\$ 1,713,741</b>

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

**Alpine Metropolitan District**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>			
Capital and service obligation revenue from			
Breckenridge Mountain Metropolitan District	\$ 170,407	\$ 297,399	\$ 467,806
Development impact fees	11,667	-	11,667
Interest income	<u>533</u>	<u>3,114</u>	<u>3,647</u>
Total Revenue	<u>182,607</u>	<u>300,513</u>	<u>483,120</u>
<b>Expenditures</b>			
General government	182,607	-	182,607
Capital outlay	<u>-</u>	<u>300,513</u>	<u>300,513</u>
Total Expenditures	<u>182,607</u>	<u>300,513</u>	<u>483,120</u>
<b>Revenue Over Expenditures</b>	-	-	-
Fund Balance, beginning of year, as restated	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Alpine Metropolitan District**  
**Reconciliation of the Statements of Revenue, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

Total net change in fund balance - governmental funds	\$	-
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Depreciation expense on capital assets was reported in the Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in governmental funds.</p>		(58,526)
<p>Governmental funds report capital outlay expenditures as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capitalized capital outlay in the current year.</p>		<u>287,714</u>
Change in net position of government-wide activities	\$	<u>229,188</u>

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

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2016**

**1. ORGANIZATION AND DEFINITION OF REPORTING ENTITY**

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 27, 2002, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Summit County, Colorado. The District was established as part of a dual district structure with the Breckenridge Mountain Metropolitan District (BMMD). The District is considered the service district and was established to provide water, storm drainage, street, transportation, and parks and recreation improvements. Breckenridge Mountain Metropolitan District is the financing district and was established to provide funding and tax base for capital improvements constructed and operated by the District (see Note 7).

The District has no employees and all services are contracted.

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.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of the District are as follows:

**Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements***

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Statement of Net Position presents the financial position of the governmental activities at year-end. The Statement of Activities presents a comparison between program expenses and the program revenue for each program or function of the District's governmental activities. Program expenses are those that are specifically associated with a service, program, or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenue which is not classified as program revenue is presented as general revenue of the District, with certain limited exceptions. The comparison of program expenses with program revenue identifies the extent to which each governmental function is self-financing or draws from the general revenue of the District.

***Fund Financial Statements***

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds.

**Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Fund types used by the District are described below.

**Governmental Fund Types**

General Fund – the General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – the Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus**

***Government-wide Financial Statements***

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

***Fund Financial Statements***

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenue, Expenditures, and Changes in Fund Balances reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, and in the presentation of expenses versus expenditures.

***Revenue***

Revenue resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis, when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Revenue, continued***

Nonexchange transactions, in which the District receives value without directly giving value in return, include property taxes and payments under intergovernmental agreements. Revenue from property taxes is recognized in the fiscal year for which the taxes are received. Revenue from payments under intergovernmental agreements is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on the use of net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Budgets**

In accordance with Colorado Local Government 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 appropriation can only be modified upon completion of notification and publication requirements.

The budget includes each fund on its basis of accounting unless otherwise indicated.

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

**Restricted Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investment pools and short-term investments with an original maturity of three months or less from the date of acquisition. All of the District's cash and cash equivalents are restricted for expenditures under the terms of its intergovernmental agreement with BMMD.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in other funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost, or estimated historical cost, and updated for additions and retirements during the year. Donated fixed assets are recorded at acquisition value as of the date received. The District maintains a capitalization policy of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets that have been placed in service are depreciated. Depreciation is computed using the straight-line method over a useful life of 25-30 years.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Long-term obligations are recognized as a liability on the governmental fund financial statements when due.

Under a District Facilities Construction and Service Agreement (see Note 7), the District is due reimbursements from BMMD over time for the cost of the infrastructure and operating costs. Payments in excess of amounts due under this agreement are reflected as unearned revenue in the fund statements and noncurrent liabilities in the government-wide financial statements.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Balances**

The District presents its fund balances in accordance with GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent.

In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or it is legally or contractually required to be maintained intact. The District’s non-spendable fund balance of \$5,069 relates to prepaid expenses.
- *Restricted fund balance* – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation. The District’s restricted fund balance represent amounts reserved for emergencies under the Colorado State Constitution. A restriction of \$5,478 of the General Fund’s fund balance has been made in compliance with this requirement.
- *Committed fund balance* – The portion of fund balance constrained for specific purposes according to limitations imposed by the Board of Directors prior to the end of the fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors. The District has no committed fund balance.
- *Assigned fund balance* – The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Directors or other individuals authorized to assign funds to be used for a specific purpose. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund. The District has no assigned fund balance.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when expenditure is made, it is the District’s policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and then unassigned.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Position**

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Estimates**

The presentation 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**3. CASH AND INVESTMENTS**

**Cash Deposits**

At December 31, 2016, the District's cash deposits had a carrying balance of \$4,623 and a bank balance of \$16,323 which is FDIC insured. Cash deposits in excess of FDIC limits would be covered by the Public Deposit Protection Act (PDPA).

Deposits are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party), if they are not covered by depositary insurance and are collateralized with securities held by the pledging financial institution, except for deposits collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution (e.g. deposits insured by PDPA). Accordingly, none of the District's deposits at December 31, 2016, are deemed to be exposed to custodial credit risk.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**3. CASH AND INVESTMENTS (continued)**

**Investments**

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 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
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2016, the District had invested \$792,360 in the Colorado Surplus Asset Fund Trust (CSAFE), 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 2a-7-like money market fund and each share is equal in value to \$1.00. CSAFE is rated AAAM by the Standard & Poor's Corporation. 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 depository in connection with direct investment and withdrawals. The custodian internal records segregate investments owned by the Trust.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**4. CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2016, follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Drainage improvements	\$ 1,737,564	\$ -	\$ -	\$ 1,737,564
Construction in progress	-	287,714	-	287,714
Total	<u>1,737,564</u>	<u>287,714</u>	<u>-</u>	<u>2,025,278</u>
Less accumulated depreciation:	<u>(253,011)</u>	<u>(58,526)</u>	<u>-</u>	<u>(311,537)</u>
Net Capital Assets	<u>\$ 1,484,553</u>	<u>\$ 229,188</u>	<u>\$ -</u>	<u>\$ 1,713,741</u>

Depreciation expense of \$58,526 has been allocated to the public works function.

**5. LONG-TERM LIABILITIES**

**Authorized Debt**

At December 31, 2016, the District had authorized but unissued general obligation debt for the following improvement purposes:

Transportation	\$ 30,000,000
Streets and roadways	19,224,309
Operations and maintenance	12,000,000
Park and recreation	2,250,000
Storm and sanitary sewer	1,000,000
Traffic and safety	1,000,000
Water	1,000,000
	<u>\$ 66,474,309</u>

**6. RELATED PARTIES**

All members of the Board of Directors of the District are employees of Vail Resorts Development Co, Vail Resorts Management Co., or related entities.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**7. AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES**

Alpine Metropolitan District (the District) has entered into a District Facilities Construction and Service Agreement with Breckenridge Mountain Metropolitan District (BMMD). The District is considered the service district and BMMD the financing district under the agreement. On November 24, 2008 the District entered into an “Amended and Restated First Amendment to District Facilities Construction and Service Agreement” to accommodate the issuance of two tax exempt loans by BMMD.

The primary purpose and function of a financing district is to provide funding and the necessary tax base for financing the construction, operation, and maintenance of the public improvements within another district generally referred to as a service district.

Under this agreement, BMMD is to provide funding and the necessary tax base for financing the construction, operation, and maintenance of the public improvements that benefit both of the districts. BMMD may also obtain financing for the construction of the public improvements and pay the proceeds to the District.

The District will manage the construction and operation of the public improvements, and own, operate, and maintain the public improvements that are not otherwise dedicated to another governmental entity pursuant to a long-term operations and maintenance program.

BMMD is required to pay to the District a portion of the revenue raised from mill levies to offset the operating expenses incurred by the District for provision of services to property within BMMD. In 2016, BMMD funded operating expenditures of the District totaling \$170,407.

BMMD is also required to assign a portion of the revenue raised from all sources to the District in order to offset the costs of the construction of the public improvements and BMMD’s costs of operation and maintenance of such public improvements. The Agreement remains in force until all terms and conditions have been performed in their entirety.

During 2016, BMMD funded \$297,399 under this agreement to offset the cost of public improvements incurred by the District.

In addition, at December 31, 2016, \$794,691 has been received from BMMD representing prepayments from BMMD that the District is holding in reserve for future capital and operating expenditures.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**8. ECONOMIC DEPENDENCY**

Since the District does not have a revenue base sufficient to pay its operational expenditures, it has been and will be dependent upon funding by the Breckenridge Mountain Metropolitan District (see Note 7).

**9. RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, Section 24-10-101, et seq. CRS., the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in the past three years.

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

**10. 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.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

**ALPINE METROPOLITAN DISTRICT**  
**Notes to the Financial Statements (continued)**  
**December 31, 2016**

**10. TAX, SPENDING AND DEBT LIMITATIONS (continued)**

On November 5, 2002, a majority of the District’s electors authorized the District to collect, keep and expend all District revenue during 2002, and continuing thereafter without regard to limitations under TABOR.

Also, on November 5, 2002, the voters of the District authorized the issuance of \$66,474,309 in debt and approved an increase in property tax revenue to pay such debt. See Note 5.

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

**11. COMMITMENTS**

As of December 31, 2016, the District has commitments under construction contracts of approximately \$7 million.

**12. RESTATEMENT**

The District has restated beginning fund balance of the general and capital projects funds to properly reflect the prepayment of capital and service obligations from Breckenridge Mountain Metropolitan District in previous years as unearned revenue in accordance with their intergovernmental agreement with Breckenridge Mountain Metropolitan District. The following shows the effect of the change:

	<b>General Fund</b>	<b>Capital Projects Fund</b>
Fund balance beginning of year, as previously reported	\$ 211,022	\$ 732,155
Overstatement of prior year revenue related to capital and service obligation prepayments received	(211,022)	(732,155)
Fund balance beginning of year, as restated	\$ -	\$ -

## **Required Supplementary Information**

**Alpine Metropolitan District  
Budgetary Comparison Schedule  
General Fund - Budgetary Basis  
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Revenue</b>				
Service obligation payments from Breckenridge Mountain Metropolitan District	\$ 40,939	\$ 40,939	\$ 40,941	\$ 2
Facility impact fees	-	5,430	11,667	6,237
Interest income	<u>386</u>	<u>386</u>	<u>533</u>	<u>147</u>
Total Revenue	<u>41,325</u>	<u>46,755</u>	<u>53,141</u>	<u>6,386</u>
<b>EXPENDITURES</b>				
General government				
Accounting	25,000	60,000	66,202	6,202
Audit	5,500	5,500	5,460	(40)
Elections	3,000	2,000	1,958	(42)
Insurance	2,750	2,550	2,539	(11)
Legal	25,000	100,000	95,982	(4,018)
Miscellaneous	500	500	604	104
Contingency	15,000	15,000	-	(15,000)
Interdistrict	<u>10,750</u>	<u>10,750</u>	<u>9,862</u>	<u>(888)</u>
Total Expenditures	<u>87,500</u>	<u>196,300</u>	<u>182,607</u>	<u>(13,693)</u>
<b>Revenue Over (Under) Expenditures - Budgetary Basis</b>	<u>\$ (46,175)</u>	<u>\$ (149,545)</u>	<u>(129,466)</u>	<u>\$ 20,079</u>
<b>Reconciliation of budgetary basis to GAAP</b>				
GAAP basis adjustment to service obligation revenue			<u>129,466</u>	
<b>Revenue Over (Under) Expenditures - GAAP Basis</b>			<u>\$ -</u>	

## **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

### **Note RSI-1 Budgetary Information**

Budgets for major governmental funds are adopted on the modified accrual basis where capital and service obligation payments received are recorded on a cash basis, capital outlays are treated as expenditures and depreciation is not budgeted. The operating budget includes proposed expenditures and the means of financing them. The Board of Directors must approve transfers between funds, or increases to a fund's budget. (See Note 2 for additional budgetary information.)

### **Note RSI-2 Expenditures/Expenses in Excess of Appropriation**

State Statute requires that expenditures and transfers for a fund cannot exceed the appropriation for that fund. Appropriations for a fund may be increased provided unanticipated resources offset them.

The budget is controlled at the departmental line level within each fund. However, the legal level of appropriation is within the fund. In 2016, there were no major funds that had expenditures in excess of their board-approved appropriation.

## **Other Supplementary Information**

**Alpine Metropolitan District**  
**Budgetary Comparison Schedule**  
**Capital Projects Fund - Budgetary Basis**  
**For the Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>Revenue</b>				
Capital obligation payments from Breckenridge Mountain Metropolitan District	\$ 4,000,000	\$ 9,500,000	\$ 278,379	\$ (3,721,621)
Interest income	889	889	3,114	2,225
Total Revenue	4,000,889	9,500,889	281,493	(9,219,396)
<b>EXPENDITURES</b>				
Capital outlay				
Road improvements	3,911,940	366,332	300,513	(65,819)
Contingency	150,000	150,000	-	(150,000)
Total Expenditures	4,061,940	516,332	300,513	(215,819)
<b>Revenue Over (Under) Expenditures - Budgetary Basis</b>	<b>\$ (61,051)</b>	<b>\$ 8,984,557</b>	<b>(19,020)</b>	<b>\$ (9,003,577)</b>
<b>Reconciliation of budgetary basis to GAAP</b>				
GAAP basis adjustment to capital obligation revenue			19,020	
<b>Revenue Over (Under) Expenditures - GAAP Basis</b>			<b>\$ -</b>	