

cPa DIXON, WALLER & CO., INC.

BLANCA/FORT GARLAND

METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2016



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DIXON, WALLER & CO., INC.

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BLANCA/FORT GARLAND METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
December 31, 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Blanca/Fort Garland Metropolitan District
Blanca, Colorado 81123

We have audited the accompanying financial statements of the governmental activities and each major fund of the Blanca/Fort Garland 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension trend data on pages i through v and 31 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blanca/Fort Garland Metropolitan District's basic financial statements. The other supplemental information 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respect, in relation to the basic financial statements as a whole.

Dixon, Waller & Co., Inc.

Trinidad, Colorado
August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2016

Management's Discussion and Analysis

Blanca/Fort Garland Metropolitan District encompasses the Northern half of Costilla County, and is located in the south central region of Colorado. The District serves the towns of Fort Garland and Blanca, as well as the areas that surround these towns. The District offers recreation, health and safety services to the public.

The discussion and analysis of the Blanca/Fort Garland Metropolitan District's financial performance is an overall review of the District's financial activities for the fiscal year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Blanca/Fort Garland Metropolitan District as an entire entity, presenting both an aggregate and a long-term view of those finances.

While this report contains all funds used by the District to provide programs and activities, the view of the District as a whole look's at all financial transactions and asks the question, "How did we do financially during the fiscal year 2016?" The statements of net position and of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. In the statement of net position and the statement of activities, The Metropolitan District will report its activities as governmental activities as there are no business-type activities. The basis of accounting takes into account all the current year's revenues and expenses regardless of when cash was received or paid.

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also report the District's operations in more detail than the government wide statements by providing information about the District's funds for the Blanca/Fort Garland Metropolitan District. The General Fund is the most significant fund.

Also, the notes to the financial statements provide additional information meaningful to a full understanding of the data provided in the district-wide and fund financial statements.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2016

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplementary information includes budget-to-actual information for the District as dictated by state law.

Reporting the District as a whole

Table 1 provides a summary of the district's net position at December 31, 2016.

Table 1
Condensed Statement of Net Position

	Governmental Activities 2016	Governmental Activities 2015
<u>ASSETS</u>		
Current and Other Assets	\$ 981,845	\$ 894,807
Capital Assets, Net	1,628,134	1,686,713
Total Assets	2,609,979	2,581,520
<u>DEFERRED OUTFLOWS</u>	96,932	36,335
<u>LIABILITIES</u>		
Other Liabilities	385,506	390,960
Long-Term Liabilities	725,000	800,000
Total Liabilities	1,571,012	1,190,960
<u>DEFERRED INFLOWS</u>	547,231	514,621
<u>NET POSITION</u>		
Net Investment in Capital Assets	828,134	816,713
Restricted for:		
Tabor Reserve	14,000	14,000
Debt	296,619	275,333
Culture and Recreation	20,056	14,551
Unrestricted	(184,635)	(208,323)
Total Net Position	\$ 974,174	\$ 912,274

Table 2 provides a summary of the changes in net position. Following Table 2 is a specific discussion related to overall revenues and expenses.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2016

Table 2
Condensed Change in Net Position from Operating Activities

	Governmental Activities 2016	Governmental Activities 2015
<u>REVENUES</u>		
Program Revenues		
Charges for Services	\$ 27,868	\$ 26,977
Capital Grants & Contributions	9,098	\$ 10,954
General Revenues		
Property and Specific Ownership Tax	526,888	544,919
Interest Revenue	3,139	1,009
Other Revenue	750	2,978
 Total Revenues	 <u>567,743</u>	 <u>586,837</u>
<u>EXPENSES</u>		
Culture and Recreation	467,556	463,837
Interest and Amortization	38,287	41,175
 Total Expenses	 <u>505,843</u>	 <u>505,012</u>
 Change in Net Position assets	 <u>61,900</u>	 <u>81,825</u>
 Net Position-Beginning	 <u>912,274</u>	 <u>830,449</u>
 Net Position-Ending	 <u>\$ 974,174</u>	 <u>\$ 912,274</u>

Information regarding capital assets and long term debt, as well as additional information is available in the accompanying notes to the financial statements.

Governmental Activities

Governmental activities are generally financed through taxes, intergovernmental revenues, and service fees. Most of the Metropolitan District's programs and services include operation and maintenance of physical plant, health and safety instruction, and youth and adult activities for culture and recreation activities.

Property and other taxes account for 93% of the total revenues. Charges and Fees account for 2% and other revenue accounts for 5% of the total revenue. General fund

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2016

revenues were used for operations and maintenance of facility which includes a swimming pool, full service kitchen, weight rooms, meeting rooms, etc. A significant amount also went to salaries for employees and utilities.

The General fund ended with more revenues than expenditures by the amount of \$36,617.

The Conservation trust fund consists of Colorado Lottery Funds and is restricted for the maintenance of recreational facilities. This fund ended with more revenue than expenditures by the amount of \$5,505.

Capital Assets and Debt Administration

Capital Assets

By the end of 2016, the District had invested in a broad range of capital assets, including, land, building, site improvements and furniture and fixtures. See table 3 below.

Table 3
Capital Assets

	<u>Governmental Activities</u>
Land	\$ 24,500
Buildings and Improvements	2,545,936
Equipment	317,546
Furniture and Fixtures	22,028
Total	2,910,010
Depreciation	(1,281,635)
Total	\$ 1,628,375

Depreciation for 2016 was \$82,916 and \$80,060 for 2015

Long-Term Debt

At the end of 2016 the District had \$800,000 in General Obligation Bonds and Registered B Coupons. \$70,000 was paid on this debt during the year ended December 31, 2016

Economic Factors Regarding Future Years

The short, medium, and long range goals are as follows.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2016

Short term goals are to make the facility available to the public on a day to day basis so that public has a safe, clean family oriented environment.

Medium range goals are to build programs that address the needs of the public. This will include maintaining and updating the existing facility to address these needs.

Long term goals include an addition to the current facility that will address the growing population and infrastructure needed to offer services that arise. This includes the acquisition of land and infrastructure in order to facilitate camps and retreats as well as adding transportation for youth programs.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Blanca/Fort Garland Metropolitan District, P.O. Box 310, Blanca, Colorado.

BASIC FINANCIAL STATEMENTS

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash	438,792	438,792
Receivables (Net, where Applicable, of Allowance for Uncollectibles):		
Accounts	-	-
Grants	-	-
Property Tax Receivable	538,653	538,653
Prepaid Expense	4,400	4,400
Fixed Assets	2,910,010	2,910,010
Accumulated Depreciation	(1,281,876)	(1,281,876)
<u>Total Assets</u>	<u>2,609,979</u>	<u>2,609,979</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pensions	<u>96,932</u>	<u>96,932</u>
 <u>LIABILITIES</u>		
Accounts Payable	14,903	14,903
Accrued Interest Payable	2,950	2,950
Net Pension Liability	367,653	367,653
Other Liabilities	-	-
General Obligation Bonds Payable:		
Due Within One Year	75,000	75,000
Due Later Than One Year	<u>725,000</u>	<u>725,000</u>
<u>Total Liabilities</u>	<u>1,185,506</u>	<u>1,185,506</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>		
Property Taxes	538,653	538,653
Pensions	<u>8,578</u>	<u>8,578</u>
<u>Total Deferred Inflow of Resources</u>	<u>547,231</u>	<u>547,231</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	828,134	828,134
Restricted for:		
Labor Reserve	14,000	14,000
Debt	296,619	296,619
Culture and Recreation	20,056	20,056
Unrestricted	<u>(184,635)</u>	<u>(184,635)</u>
<u>Total Net Position</u>	<u>974,174</u>	<u>974,174</u>

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	
<u>Governmental Activities</u>							
Culture and Recreation	467,556	27,868	-	9,098	(430,590)	-	(430,590)
Interest and Fees	<u>38,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,287)</u>	<u>-</u>	<u>(38,287)</u>
<u>Total Governmental Activities</u>	<u>505,843</u>	<u>27,868</u>	<u>-</u>	<u>9,098</u>	<u>(468,877)</u>	<u>-</u>	<u>(468,877)</u>
<u>Business Type Activities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Primary Government</u>	<u>505,843</u>	<u>27,868</u>	<u>-</u>	<u>9,098</u>	<u>(468,877)</u>	<u>-</u>	<u>(468,877)</u>
		<u>General Revenues:</u>					
					526,888	-	526,888
					3,139	-	3,139
					750	-	750
					<u>530,777</u>	<u>-</u>	<u>530,777</u>
					61,900	-	61,900
					<u>912,274</u>	<u>-</u>	<u>912,274</u>
					<u>974,174</u>	<u>-</u>	<u>974,174</u>

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General</u>	<u>Conservation Trust</u>	<u>Debt Service</u>
<u>ASSETS</u>			
Cash	122,245	19,678	296,869
Receivables (Net of Allowance Where Applicable)			
Accounts	-	-	-
Grants	-	-	-
Property Tax	397,995	-	140,658
Prepaid Expense	4,400	-	-
Due From Other Funds	<u>250</u>	<u>378</u>	<u>-</u>
<u>Total Assets</u>	<u>524,890</u>	<u>20,056</u>	<u>437,527</u>
<u>LIABILITIES</u>			
Accounts Payable	14,903	-	-
Due To Other Funds	378	-	250
Other Payables	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Liabilities</u>	<u>15,281</u>	<u>-</u>	<u>250</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Property Tax	<u>397,995</u>	<u>-</u>	<u>140,658</u>
<u>FUND BALANCES</u>			
Nonspendable:	4,400	-	-
Restricted:			
Emergencies	14,000	-	-
Culture and Recreation	-	20,056	-
Debt Service	-	-	296,619
Committed:	-	-	-
Assigned:	-	-	-
Unassigned	<u>93,214</u>	<u>-</u>	<u>-</u>
<u>Total Fund Balances</u>	<u>111,614</u>	<u>20,056</u>	<u>296,619</u>
<u>TOTAL LIABILITIES</u>			
<u>AND FUND BALANCES</u>	<u>524,890</u>	<u>20,056</u>	<u>437,527</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	438,792
-	-
-	-
-	538,653
-	4,400
-	628
<u>-</u>	<u>982,473</u>
<u>-</u>	<u>982,473</u>
-	14,903
-	628
-	-
<u>-</u>	<u>15,531</u>
<u>-</u>	<u>15,531</u>
-	538,653
-	4,400
-	14,000
-	20,056
-	296,619
-	-
-	-
<u>-</u>	<u>93,214</u>
<u>-</u>	<u>428,289</u>
<u>-</u>	<u>428,289</u>
<u>-</u>	<u>982,473</u>
<u>-</u>	<u>982,473</u>

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2016

Amounts reported for governmental activities in the statement of the net position are different because:

<u>Total Fund Balance – Governmental Funds</u>	428,289
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$2,910,010 and the accumulated depreciation is \$1,281,876.	1,628,134
Long-Term liabilities, including loans and capital leases are not due and payable in the current period and therefore are not reported in the funds. Issue costs associated with debt is expensed in the funds when incurred but is capitalized and amortized in government wide statements. Interest expense is recorded in the fund financial statements when paid.	
General Obligation Bonds	(800,000)
Accrued Interest Payable	(2,950)
The Net Pension Liability, along with associated deferred flows, is not recorded at the fund level but is recognized as part of the entity wide financial information.	
Net Pension Liability	(367,653)
Deferred Inflows	(8,578)
Deferred Outflows	<u>96,932</u>
<u>Total Net Position – Governmental Activities</u>	<u>974,174</u>

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Conservation Trust</u>	<u>Debt Service</u>
<u>REVENUES:</u>			
Taxes	398,833	-	128,055
Intergovernmental Revenues	-	9,098	-
Charges and Fees	27,012	-	-
Grants	-	-	-
Miscellaneous Revenues	<u>2,696</u>	<u>31</u>	<u>1,518</u>
<u>Total Revenues</u>	<u>428,541</u>	<u>9,129</u>	<u>129,573</u>
 <u>EXPENDITURES:</u>			
Culture and Recreation	391,924	-	-
Debt Service			
Principal	-	-	70,000
Interest and Fees	-	-	38,287
Capital Outlay	-	<u>3,624</u>	-
<u>Total Expenditures</u>	<u>391,924</u>	<u>3,624</u>	<u>108,287</u>
 <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>36,617</u>	<u>5,505</u>	<u>21,286</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	-	-	-
<u>Total Other Financing Sources (Uses)</u>	-	-	-
 <u>NET CHANGE IN FUND BALANCES</u>	36,617	5,505	21,286
 <u>FUND BALANCES, Beginning</u>	<u>74,997</u>	<u>14,551</u>	<u>275,333</u>
 <u>FUND BALANCES, Ending</u>	<u>111,614</u>	<u>20,056</u>	<u>296,619</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	526,888
-	9,098
-	27,012
-	-
-	<u>4,245</u>
<u>-</u>	<u>567,243</u>
-	391,924
-	70,000
-	38,287
-	<u>3,624</u>
<u>-</u>	<u>503,835</u>
<u>-</u>	<u>63,408</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
-	63,408
<u>-</u>	<u>364,881</u>
<u>-</u>	<u>428,289</u>

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances – Total Governmental Funds 63,408

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the difference in depreciation and capital outlays in the current period.

Capital outlays more than \$500	24,337	
Depreciation expense	<u>(82,916)</u>	(58,579)

Proceeds from the issuance of debt are recognized as sources in the fund financial statements in the period received. The costs associated with the issuance of debt are recognized as expenditures in the period paid. Interest costs are recorded by the funds at the payment date.

Change in Accrued Interest Payable	<u>240</u>	240
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Principal payments on debt are recorded as expenditures in the fund financial statements.

Principal Paid on General Obligation Bonds	<u>70,000</u>	70,000
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The increase in net pension liability, along with the changes and amortizations of deferred flows associated with the net pension liability are not recorded at the fund level:

Change in Net Pension Liability	(65,202)	
Change in Deferred Outflows	60,597	
Change in Deferred Inflows	<u>(8,564)</u>	<u>(13,169)</u>

Change in Net Position of Governmental Activities 61,900

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The reporting entity, for financial purposes, is defined as the primary government (the Blanca/Fort Garland Metropolitan District) and its component units. The District has no component units; the financial statements are comprised of the funds and account groups more fully described in subsequent information contained in the footnotes.

The accounting policies of the Blanca/Fort Garland Metropolitan District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

B. Government – Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.

The *conservation trust fund* is used to account for the receipt and use of Colorado Lottery Funds.

The *bond redemption fund* is used to account for the taxes collected from a dedicated mill levy to pay general obligation debt. (Debt Service Fund)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds 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.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

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

<u>Assets</u>	<u>Years</u>
Equipment	5-20
Buildings and Improvements	10-50
Furniture and Fixtures	10-20

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

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

1. Prior to October 1, a proposed operating budget for the fiscal year commencing the following January 1 is developed. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.
4. Budgets for the General Fund, Conservation Trust Fund and Bond Redemption Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

F. Encumbrances

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

G. Inventory

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

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

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

I. Property Taxes

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

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property Taxes (Continued)

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

J. Use of Estimates

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

K. Deposits and Investments

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

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

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Deferred Outflows / Inflows of Resources

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

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

N. GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The District's Committed Fund Balance is fund balance reporting required by the Board, either because of a Board Policy in the Policy Manual, or because of motions that passed at Board meetings.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. GASB Statement No. 54 (Continued)

Assigned Fund Balance Policy:

The Board's Assigned Fund Balance is fund balance reporting occurring by Board authority, under the direction of the Executive Director.

Order of Fund Balance Spending Policy

The Board's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>	4,400	-	-	4,400
<u>Restricted:</u>				
Emergencies	14,000	-	-	14,000
Culture and Recreation	-	20,056	-	20,056
Debt Service	-	-	296,619	296,619
<u>Committed:</u>	-	-	-	-
<u>Assigned:</u>	-	-	-	-
<u>Unassigned</u>	<u>93,214</u>	<u>-</u>	<u>-</u>	<u>93,214</u>
<u>Total Fund Balances</u>	<u>111,614</u>	<u>20,056</u>	<u>296,619</u>	<u>428,289</u>

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 2 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	24,000	500	-	24,500
<u>Capital Assets Being Depreciated:</u>				
Building and Improvements	2,525,723	20,213	-	2,545,936
Equipment	313,922	3,624	-	317,546
Furniture and Fixtures	22,028	-	-	22,028
<u>Total Capital Assets Being Depreciated</u>	<u>2,861,673</u>	<u>23,837</u>	<u>-</u>	<u>2,885,510</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	965,478	65,790	-	1,031,268
Equipment	211,454	17,126	-	228,580
Furniture and Fixtures	22,028	-	-	22,028
<u>Total Accumulated Depreciation</u>	<u>1,198,960</u>	<u>82,916</u>	<u>-</u>	<u>1,281,876</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>1,662,713</u>	<u>(58,579)</u>	<u>-</u>	<u>1,603,634</u>
<u>Governmental Activities</u>				
<u>Capital Assets, Net</u>	<u>1,686,713</u>	<u>(58,579)</u>	<u>-</u>	<u>1,628,134</u>

Beginning in 2004, general infrastructure assets are recorded prospectively in these financial statements, at cost. Retroactive reporting of general infrastructure assets is not required by standards for the District (Phase 3 entity).

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Culture and Recreation	82,916
<u>Total Depreciation Expense – Governmental Activities</u>	<u>82,916</u>

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 3 CASH AND INVESTMENTS

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured	250,000	250,000
Uninsured, Collateralized Under the Public Deposit Protection Act of the State of Colorado	<u>188,066</u>	<u>185,688</u>
<u>Sub-Total</u>	438,066	435,688
 Cash with County Treasurer	 -	 3,104
Cash on Hand	-	-
<u>Total Cash and Deposits</u>	<u>438,066</u>	<u>438,792</u>

Cash of \$14,000 is restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado. (See Note 5)

As presented above, deposits with a bank balance of \$188,066 and a carrying balance of \$185,688 as of December 31, 2016 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

NOTE 4 COMPENSATED ABSENCES

There is no liability for compensated absences at December 31, 2016.

NOTE 5 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS (Continued)

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic contributions, revenue shortfalls, or salary or benefit increases.

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

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

On May 7, 1996, the registered voters approved a ballot resolution authorizing Blanca/Fort Garland Metropolitan District to collect, retain and expend (during 1996 and beyond) all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

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

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 7 LONG-TERM DEBT

During the year ended December 31, 2004, the District issued debt in the form of General Obligation Bonds for the purpose of constructing facilities additions. The principal amount of bonds issued was \$1,400,000. Interest on the bonds ranges from 2.25% to 3.7%. In addition, registered "B" coupons were issued in the amount of \$109,443 paying interest from 2.25% to 2.7%. A schedule of changes and debt service follows:

	<u>12-31-15</u>	<u>Issued</u>	<u>Paid</u>	<u>12-31-16</u>	<u>Due Within One Year</u>
Series 2004 General Obligation Bonds	<u>870,000</u>	<u>-</u>	<u>70,000</u>	<u>800,000</u>	<u>75,000</u>

Series 2004 General Obligation Bonds

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	75,000	35,400	110,400
2018	80,000	32,306	112,306
2019	80,000	29,006	109,006
2020	85,000	25,706	110,706
2021	90,000	22,200	112,200
2022	90,000	18,038	108,038
2023	95,000	13,875	108,875
2024	100,000	9,481	109,481
2025	<u>105,000</u>	<u>4,856</u>	<u>109,856</u>
	<u>800,000</u>	<u>190,868</u>	<u>990,868</u>

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s), under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. 24-51-601, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

Contributions. Eligible employees and Blanca/Fort Garland Metropolitan 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.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

	For the Year Ended December 31, 2016
Employer Contribution Rate	10.00 %
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208 (1) (f)	(1.02)%
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%
Total Employer Contribution Rate to the LGDTF	12.68%

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Blanca/Fort Garland Metropolitan District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from Blanca/Fort Garland Metropolitan District were \$23,398 for the year ended December 31, 2016.

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

At December 31, 2016, the Blanca/Fort Garland Metropolitan District reported a liability of \$367,653 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Blanca/Fort Garland Metropolitan District proportion of the net pension liability was based on Blanca/Fort Garland Metropolitan District contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the Blanca/Fort Garland Metropolitan District proportion was .0333749877 percent, which was a decrease of .0004 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Blanca/Fort Garland Metropolitan District recognized pension expense of \$36,567. At December 31, 2016, the Blanca/Fort Garland Metropolitan District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	2,758	(13)
Changes of assumptions or other inputs	-	(6,734)
Net difference between projected and actual earnings on pension plan investments	70,776	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(1,831)
Contributions subsequent to the measurement date	23,398	N/A
Total	96,932	(8,578)

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

\$23,398 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2016	
2017	14,012
2018	17,585
2019	18,708
2020	14,651
2021	-
Thereafter	-

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

Actuarial Cost Method	Entry Age
Price Inflation	2.80 percent
Real Wage Growth	1.10 percent
Wage Inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 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 were based on the RP-2000 combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 8 **DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

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

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

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, 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	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

*In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase and future AED and SAED, until
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Blanca/Fort Garland Metropolitan District proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	563,649	367,653	205,093

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

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description – The Blanca/Fort Garland Metropolitan District contributes to the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Blanca/Fort Garland Metropolitan District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Blanca/Fort Garland Metropolitan District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016, 2015 and 2014, the Blanca/Fort Garland Metropolitan District contributions to the HCTF were \$1,882, \$1,933 and \$1,856, respectively, equal to their required contributions for each year.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of damage to or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

The following interfund activity has been eliminated in the government-wide financial statements:

	<u>Interfund Transfer In</u>	<u>Interfund Transfer Out</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	-	-	250	378
Conservation Trust Fund	-	-	378	250
	<u>-</u>	<u>-</u>	<u>628</u>	<u>628</u>

NOTE 12 INTERFUND BALANCES

The General Fund had an amount due to the Conservation Trust Fund of \$378 at year end. It will be liquidated in early 2017. The Debt Service Fund owed the General Fund \$250, also to be liquidated in 2017.

NOTE 13 COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL (Continued)

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

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

A summary of the latest available audited financial information for the Pool as of and for the year ended December 31, 2015 is as follows:

Assets	<u>44,054,744</u>
Liabilities	<u>24,739,781</u>
Capital and Surplus	<u>19,314,963</u>
	<u>44,054,744</u>
Revenue	16,356,266
Underwriting Expenses	<u>14,839,993</u>
Underwriting Gain (Loss)	1,516,273
Other Income	205,186
Other – Change in Nonadmitted Assets	<u>486,082</u>
Net Income (Loss) and Changes	<u>2,207,541</u>

There is no current or long-term debt outstanding; the above liabilities represent incurred claims and an estimated liability for incurred but not reported claims at December 31, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

General Fund

Conservation Trust Fund

Pension Trend Data

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Current Property Tax	389,326	389,326	360,137	(29,189)
Interest on Property Taxes	2,000	2,000	1,590	(410)
Delinquent Property Tax	8,500	8,500	11,461	2,961
Specific Ownership Tax	18,000	18,000	27,235	9,235
Ceramics	1,500	1,500	1,656	156
Concessions	5,000	5,000	5,539	539
Interest on Accounts	1,500	1,500	-	(1,500)
Membership Fees	5,000	5,000	6,718	1,718
Donations and Grants	1,500	1,500	250	(1,250)
Miscellaneous	500	500	856	356
Pool Fees	3,000	3,000	4,412	1,412
Room Rent	4,000	4,000	6,050	2,050
Swimming Lessons	1,000	1,000	512	(488)
Youth Camp Revenue	2,000	2,000	2,125	125
<u>Total Revenues</u>	<u>442,826</u>	<u>442,826</u>	<u>428,541</u>	<u>(14,285)</u>
<u>EXPENDITURES</u>				
<u>Culture and Recreation</u>				
Accounting	3,500	3,500	3,900	(400)
Advertising	200	200	441	(241)
Audit	3,750	3,750	3,750	-
Bank Charges	100	100	2	98
Communication	4,000	4,000	4,607	(607)
Concessions Expense	4,500	4,500	4,733	(233)
Dues & Subscriptions	-	-	729	(729)
Ceramic Expense	1,000	1,000	1,531	(531)
Electricity	18,000	18,000	15,992	2,008
First Aid Supplies	250	250	342	(92)
Heat	70,000	70,000	43,150	26,850
Holiday Celebrations	-	-	497	(497)
Insurance-General	14,000	14,000	15,824	(1,824)
Legal	500	500	-	500
Maintenance Supplies	5,000	5,000	3,806	1,194
Miscellaneous Expense	-	-	162	(162)
Office Supplies	3,858	3,858	3,634	224
Payroll Tax Expense	4,000	4,000	3,565	435
PERA Expense	25,000	25,000	25,353	(353)

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

<u>EXPENDITURES (Continued)</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Culture and Recreation (Continued)</u>				
Pool Supplies	6,500	6,500	6,820	(320)
Postage	200	200	188	12
Purchased Services	9,000	9,000	13,225	(4,225)
Summer Food Program Expense	1,000	1,000	-	1,000
Summer Youth Program	11,000	11,000	11,200	(200)
Director-Salary	42,886	42,886	42,886	-
Director-Fringe	4,000	4,000	4,000	-
Facilities Coordinator Salaries	43,690	43,690	43,690	-
Facilities Coordinator Fringe	4,000	4,000	4,000	-
Bookkeeper - Salary	27,967	27,967	27,967	-
Bookkeeper – Fringe	4,000	4,000	4,000	-
Custodian-Salary	22,843	22,843	22,843	-
Custodian-Fringe	4,000	4,000	4,000	-
Part-Time Wages	30,038	30,038	20,632	9,406
Accrued Leave	16,000	16,000	-	16,000
Training & Staff Development	500	500	-	500
Travel	-	-	-	-
Town Team Expense	1,000	1,000	510	490
Upkeep & Repairs	29,443	29,443	19,674	9,769
Workers Compensation Insurance	3,000	3,000	3,304	(304)
Youth Camp Expense	1,000	1,000	252	748
Youth and Adult Programs	500	500	300	200
Treasurer’s Fee	10,000	10,000	11,458	(1,458)
Capital Outlay	22,101	22,101	18,957	3,144
Contingencies	-	-	-	-
<u>Total Expenditures</u>	<u>452,326</u>	<u>452,326</u>	<u>391,924</u>	<u>60,402</u>
 <u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	 <u>(9,500)</u>	 <u>(9,500)</u>	 <u>36,617</u>	
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer	-	-	-	-
<u>Total Other Financing Sources (Uses)</u>	-	-	-	-
 <u>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</u>	 <u>(9,500)</u>	 <u>(9,500)</u>	 <u>36,617</u>	
 <u>FUND BALANCE, January 1</u>	 <u>9,500</u>	 <u>9,500</u>	 <u>74,997</u>	
 <u>FUND BALANCE, December 31</u>	 <u>-</u>	 <u>-</u>	 <u>111,614</u>	

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 CONSERVATION TRUST FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
State Lottery Funds	8,000	8,000	9,098	1,098
Interest	<u>1,200</u>	<u>1,200</u>	<u>31</u>	<u>(1,169)</u>
<u>Total Revenues</u>	<u>9,200</u>	<u>9,200</u>	<u>9,129</u>	<u>(71)</u>
<u>EXPENDITURES</u>				
Culture and Recreation – Capital Outlay	<u>9,200</u>	<u>9,200</u>	<u>3,624</u>	<u>5,576</u>
<u>Total Expenditures</u>	<u>9,200</u>	<u>9,200</u>	<u>3,624</u>	<u>5,576</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	-	-	5,505	
<u>FUND BALANCE, January 1</u>	<u>4,805</u>	<u>4,805</u>	<u>14,551</u>	
<u>FUND BALANCE, December 31</u>	<u>4,805</u>	<u>4,805</u>	<u>20,056</u>	

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 For The Last 10 Fiscal Years (As Available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset)	0.0334%	0.0374%	-	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$367,653	\$ 302,451	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$184,527	\$ 189,544	-	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	199%	160%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	76.86%	80.72%	-	-	-	-	-	-	-	-

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 For The Last 10 Fiscal Years (As Available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$ 23,398	\$ 24,034	\$ 23,059	\$ 23,337	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (23,398)</u>	<u>\$ (24,034)</u>	<u>\$ (23,059)</u>	<u>\$ (23,337)</u>	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	-
District's covered-employee payroll	\$184,527	\$189,544	\$181,850	\$184,051	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.68%	12.68%	-	-	-	-	-	-

OTHER SUPPLEMENTAL INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Bond Redemption Fund

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 BOND REDEMPTION FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Property Taxes	134,200	134,200	128,055	(6,145)
Interest	600	600	1,518	918
Other	-	-	-	-
<u>Total Revenues</u>	<u>134,800</u>	<u>134,800</u>	<u>129,573</u>	<u>(5,227)</u>
<u>EXPENDITURES</u>				
Debt Service:				
Principal	70,000	70,000	70,000	-
Interest	55,200	55,200	38,287	16,913
Fees	-	-	-	-
<u>Total Expenditures</u>	<u>125,200</u>	<u>125,200</u>	<u>108,287</u>	<u>16,913</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	9,600	9,600	21,286	
<u>FUND BALANCE, January 1</u>	-	-	275,333	
<u>FUND BALANCE, December 31</u>	<u>9,600</u>	<u>9,600</u>	<u>296,619</u>	

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