

cPa DIXON, WALLER & CO., INC.

BLANCA/FORT GARLAND

METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2018

DIXON, WALLER & CO., INC.

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BLANCA/FORT GARLAND METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
December 31, 2018

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FINANCIAL SECTION

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

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, 2018, 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, 2018, 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 and other post employment benefit trend data on pages i through v and 41 through 47 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.



Trinidad, Colorado

July 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2018

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, 2018. 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 2018?" 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, 2018

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, 2018.

Table 1
Condensed Statement of Net Position

	Governmental Activities 2018	Governmental Activities 2017
<u>ASSETS</u>		
Current and Other Assets	\$ 1,004,453	\$ 946,920
Capital Assets, Net	1,706,218	1,666,199
 Total Assets	 <u>2,710,671</u>	 <u>2,613,119</u>
 DEFERRED OUTFLOWS	 <u>81,968</u>	 <u>109,983</u>
<u>LIABILITIES</u>		
Other Liabilities	464,378	508,014
Long-Term Liabilities	565,000	645,000
 Total Liabilities	 <u>1,029,378</u>	 <u>1,153,014</u>
 DEFERRED INFLOWS	 <u>693,753</u>	 <u>565,351</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,061,218	941,199
Restricted for:		
Tabor Reserve	17,784	16,200
Debt	275,201	242,686
Culture and Recreation	19,972	11,293
Unrestricted	(304,667)	(206,641)
 Total Net Position	 <u>\$ 1,069,508</u>	 <u>\$ 1,004,737</u>

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2018

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

Table 2
Condensed Change in Net Position from Operating Activities

<u>REVENUES</u>	Governmental Activities 2018	Governmental Activities 2017
Program Revenues		
Charges for Services	\$ 25,111	\$ 25,303
Capital Grants & Contributions	16,312	\$ 8,146
General Revenues		
Property and Specific Ownership Tax	632,109	556,645
Interest Revenue	957	3,700
Other Revenue	7,305	1,628
Total Revenues	<u>681,794</u>	<u>595,422</u>
<u>EXPENSES</u>		
Culture and Recreation	556,805	529,717
Interest and Amortization	31,761	35,142
Total Expenses	<u>588,566</u>	<u>564,859</u>
Change in Net Position assets	<u>93,228</u>	<u>30,563</u>
Net Position-Beginning	<u>976,280</u>	<u>974,174</u>
Net Position-Ending	<u>\$ 1,069,508</u>	<u>\$ 1,004,737</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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2018

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 3% and other revenue accounts for 4% of the total revenue. General fund 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 expenditures than revenue by the amount of \$33,150.

The Conservation trust fund consists of Colorado Lottery Funds and is restricted for the maintenance of recreational facilities. This fund ended with more expenditures than revenue by the amount of \$8,679.

Capital Assets and Debt Administration

Capital Assets

By the end of 2018, 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	2,808,867
Equipment	307,112
Furniture and Fixtures	17,448
Total	3,157,927
Depreciation	(1,451,709)
Total	\$ 1,706,218

Depreciation for 2018 was \$100,899 and \$92,046 for 2017

Long-Term Debt

At the end of 2018 the District had \$645,000 in General Obligation Bonds and Registered B Coupons. \$80,000 was paid on this debt during the year ended December 31, 2018

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2018

Economic Factors Regarding Future Years

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

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, 2018

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash	397,255	397,255
Receivables (Net, where Applicable, of Allowance for Uncollectibles):		
Accounts	12,804	12,804
Grants	-	-
Property Tax Receivable	590,457	590,457
Prepaid Expense	3,937	3,937
Fixed Assets	3,157,927	3,157,927
Accumulated Depreciation	(1,451,709)	(1,451,709)
<u>Total Assets</u>	<u>2,710,671</u>	<u>2,710,671</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pension	79,872	79,872
Other Post Employment Benefits	2,096	2,096
<u>Total Deferred Outflows of Resources</u>	<u>81,968</u>	<u>81,968</u>
<u>LIABILITIES</u>		
Accounts Payable	13,643	13,643
Accrued Interest Payable	2,147	2,147
Net Pension Liability	332,802	332,802
Net Other Post Retirement Benefits Liability	30,184	30,184
Other Liabilities	5,602	5,602
General Obligation Bonds Payable:		
Due Within One Year	80,000	80,000
Due Later Than One Year	565,000	565,000
<u>Total Liabilities</u>	<u>1,029,378</u>	<u>1,029,378</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Property Taxes	590,457	590,457
Pension	102,568	102,568
Other Post Employment Benefits	728	728
<u>Total Deferred Inflow of Resources</u>	<u>693,753</u>	<u>693,753</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,061,218	1,061,218
Restricted for:		
Tabor Reserve	17,784	17,784
Debt	275,201	275,201
Culture and Recreation	19,972	19,972
Unrestricted	(304,667)	(304,667)
<u>Total Net Position</u>	<u>1,069,508</u>	<u>1,069,508</u>

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
<u>Governmental Activities</u>							
Culture and Recreation	556,805	25,111	7,650	8,662	(515,382)	-	(515,382)
Interest and Fees	<u>31,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,761)</u>	<u>-</u>	<u>(31,761)</u>
<u>Total Governmental Activities</u>	<u>588,566</u>	<u>25,111</u>	<u>7,650</u>	<u>8,662</u>	<u>(547,143)</u>	<u>-</u>	<u>(547,143)</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>588,566</u>	<u>25,111</u>	<u>7,650</u>	<u>8,662</u>	<u>(547,143)</u>	<u>-</u>	<u>(547,143)</u>
<u>General Revenues:</u>							
					632,109	-	632,109
					957	-	957
					<u>7,305</u>	<u>-</u>	<u>7,305</u>
					<u>640,371</u>	<u>-</u>	<u>640,371</u>
Change in Net Position					93,228	-	93,228
Net Position – Beginning (as Restated)					<u>976,280</u>	<u>-</u>	<u>976,280</u>
Net Position – Ending					<u>1,069,508</u>	<u>-</u>	<u>1,069,508</u>

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

	<u>General</u>	<u>Conservation Trust</u>	<u>Debt Service</u>
<u>ASSETS</u>			
Cash	94,407	7,168	295,680
Receivables (Net of Allowance Where Applicable)			
Accounts	12,804	-	-
Grants	-	-	-
Property Tax	436,272	-	154,185
Prepaid Expense	3,937	-	-
Due From Other Funds	<u>20,479</u>	<u>12,804</u>	<u>-</u>
<u>Total Assets</u>	<u>567,899</u>	<u>19,972</u>	<u>449,865</u>
 <u>LIABILITIES</u>			
Accounts Payable	13,643	-	-
Due To Other Funds	12,804	-	20,479
Payroll Liabilities	<u>5,602</u>	<u>-</u>	<u>-</u>
<u>Total Liabilities</u>	<u>32,049</u>	<u>-</u>	<u>20,479</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>			
Property Tax	<u>436,272</u>	<u>-</u>	<u>154,185</u>
 <u>FUND BALANCES</u>			
Nonspendable:	3,937	-	-
Restricted:			
Emergencies	17,784	-	-
Culture and Recreation	-	19,972	-
Debt Service	-	-	275,201
Committed:	-	-	-
Assigned:	-	-	-
Unassigned	<u>77,857</u>	<u>-</u>	<u>-</u>
<u>Total Fund Balances</u>	<u>99,578</u>	<u>19,972</u>	<u>275,201</u>
 <u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
	<u>567,899</u>	<u>19,972</u>	<u>449,865</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	397,255
-	12,804
-	-
-	590,457
-	3,937
-	<u>33,283</u>
<u>-</u>	<u>1,037,736</u>
-	13,643
-	33,283
-	5,602
<u>-</u>	<u>52,528</u>
<u>-</u>	<u>590,457</u>
-	3,937
-	17,784
-	19,972
-	275,201
-	-
-	-
<u>-</u>	<u>77,857</u>
<u>-</u>	<u>394,751</u>
<u>-</u>	<u>1,037,736</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, 2018

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

<u>Total Fund Balance – Governmental Funds</u>		394,751
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,157,927 and the accumulated depreciation is \$1,451,709.		1,706,218
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	(645,000)
	Accrued Interest Payable	<u>(2,147)</u>
		(647,147)
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	(332,802)
	Net OPEB Liability	(30,184)
	Deferred Inflows	81,878
	Deferred Outflows	<u>(103,296)</u>
		<u>(384,404)</u>
<u>Total Net Position – Governmental Activities</u>		<u>1,069,418</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, 2018

	<u>General</u>	<u>Conservation Trust</u>	<u>Debt Service</u>
<u>REVENUES:</u>			
Taxes	478,723	-	153,386
Intergovernmental Revenues	-	8,662	-
Charges and Fees	25,111	-	-
Grants and Donations	7,650	-	-
Miscellaneous Revenues	<u>6,505</u>	<u>17</u>	<u>1,740</u>
<u>Total Revenues</u>	<u>517,989</u>	<u>8,679</u>	<u>155,126</u>
<u>EXPENDITURES:</u>			
Culture and Recreation	414,893	-	-
Debt Service			
Principal	-	-	80,000
Interest and Fees	-	-	32,306
Capital Outlay	<u>146,551</u>	<u>-</u>	<u>-</u>
<u>Total Expenditures</u>	<u>561,444</u>	<u>-</u>	<u>112,306</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(43,455)</u>	<u>8,679</u>	<u>42,820</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>10,305</u>	<u>-</u>	<u>(10,305)</u>
<u>Total Other Financing Sources (Uses)</u>	<u>10,305</u>	<u>-</u>	<u>(10,305)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(33,150)</u>	<u>8,679</u>	<u>32,515</u>
<u>FUND BALANCES, Beginning</u>	<u>132,728</u>	<u>11,293</u>	<u>242,686</u>
<u>FUND BALANCES, Ending</u>	<u>99,578</u>	<u>19,972</u>	<u>275,201</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-	632,109
-	8,662
-	25,111
-	7,650
-	<u>8,262</u>
<u>-</u>	<u>681,794</u>
-	414,893
-	80,000
-	32,306
-	<u>146,551</u>
<u>-</u>	<u>673,750</u>
-	<u>8,044</u>
-	-
-	-
-	8,044
<u>-</u>	<u>386,707</u>
<u>-</u>	<u>394,751</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, 2018

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

Net Change in Fund Balances – Total Governmental Funds 8,044

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	140,918	
Depreciation expense	(100,899)	40,019

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	545	545
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Principal payments on debt are recorded as expenditures in the fund financial statements.

Principal Paid on General Obligation Bonds	80,000	80,000
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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:

Pension Expense	(35,021)	
OPEB Expense	(359)	(35,380)

Change in Net Position of Governmental Activities 93,228

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

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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>	3,937	-	-	3,937
<u>Restricted:</u>				
Emergencies	17,784	-	-	17,784
Culture and Recreation	-	19,972	-	19,972
Debt Service	-	-	275,201	275,201
<u>Committed:</u>	-	-	-	-
<u>Assigned:</u>	-	-	-	-
<u>Unassigned</u>	<u>77,857</u>	<u>-</u>	<u>-</u>	<u>77,857</u>
<u>Total Fund Balances</u>	<u>99,578</u>	<u>19,972</u>	<u>275,201</u>	<u>394,751</u>

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 2 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018 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	24,500	-	-	24,500
<u>Capital Assets Being Depreciated:</u>				
Building and Improvements	2,670,715	139,517	1,365	2,808,867
Equipment	316,187	1,401	10,476	307,112
Furniture and Fixtures	22,028	-	4,580	17,448
<u>Total Capital Assets Being Depreciated</u>	<u>3,008,930</u>	<u>140,918</u>	<u>16,421</u>	<u>3,133,427</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	1,104,591	81,923	-	1,186,514
Equipment	240,612	18,976	16,421	243,167
Furniture and Fixtures	22,028	-	-	22,028
<u>Total Accumulated Depreciation</u>	<u>1,367,231</u>	<u>100,899</u>	<u>16,421</u>	<u>1,451,709</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>1,641,699</u>	<u>40,019</u>	<u>-</u>	<u>1,681,718</u>
<u>Governmental Activities</u>				
<u>Capital Assets, Net</u>	<u>1,666,199</u>	<u>40,019</u>	<u>-</u>	<u>1,706,218</u>

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

Governmental Activities:

Culture and Recreation	<u>100,899</u>
<u>Total Depreciation Expense – Governmental Activities</u>	<u>100,899</u>

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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>135,741</u>	<u>131,935</u>
<u>Sub-Total</u>	<u>385,741</u>	<u>381,935</u>
 Cash with County Treasurer	 -	 15,320
Cash on Hand	<u>-</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>385,741</u>	<u>397,255</u>

Cash of \$17,784 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 \$135,741 and a carrying balance of \$131,935 as of December 31, 2018 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, 2018.

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, 2018

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, 2018

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>12-31-17</u>	<u>Issued</u>	<u>Paid</u>	<u>12-31-18</u>	<u>Due Within One Year</u>
Series 2004 General Obligation Bonds	725,000	-	80,000	645,000	80,000

Series 2004 General Obligation Bonds

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	105,000	4,856	109,856
	<u>645,000</u>	<u>123,162</u>	<u>768,162</u>

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018

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, 2018

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

	For the Year Ended December 31, 2018
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 \$24,279 for the year ended December 31, 2018.

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

At December 31, 2018, the Blanca/Fort Garland Metropolitan District reported a liability of \$332,802 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. 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 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the Blanca/Fort Garland Metropolitan District proportion was .0298897682 percent, which was a decrease of .0006 from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Blanca/Fort Garland Metropolitan District recognized pension expense of \$35,021. At December 31, 2018, 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	20,820	-
Changes of assumptions or other inputs	3,516	-
Net difference between projected and actual earnings on pension plan investments	31,257	(95,946)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(6,622)
Contributions subsequent to the measurement date	24,279	N/A
Total	79,872	(102,568)

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

\$24,279 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, 2019. 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,	
2019	9,047
2020	(8,510)
2021	(23,526)
2022	(23,986)
2023	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

Healthy, post-retirement mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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 7.25 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2016 and the financial status of the LGDTF as of the prior measurement date (December 31, 2016). In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. 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.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

- Benefit payments and contributions were assumed to be made at the end of the month.

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

Sensitivity of the 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 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (6.25 percent) or 1-percent-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	530,045	332,802	168,371

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.

Changes between the measurement date of the net pension liability and December 31, 2018.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2018

NOTE 8 DEFINED BENEFIT PENSION PLAN (Continued)

- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the LGDTF based on the proportionate amount of annual payroll of the LGDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At December 31, 2018, the Blanca/Fort Garland Metropolitan District reported a liability of \$332,802 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the Blanca/Fort Garland Metropolitan District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	235,396

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

Defined Benefit Plan - Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. Blanca/Fort Garland Metropolitan District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the Blanca/Fort Garland Metropolitan District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (Continued)

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2018

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (Continued)

Employer contributions are recognized by the HCTF 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. Employer contributions recognized by the HCTF from Blanca/Fort Garland Metropolitan District were \$1,953 for the year ended December 31, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the Blanca/Fort Garland Metropolitan District reported a liability of \$30,184 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The Blanca/Fort Garland Metropolitan District proportion of the net OPEB liability was based on Blanca/Fort Garland Metropolitan District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Blanca/Fort Garland Metropolitan District proportion was 0.00232 percent, which was a decrease of 0.00002 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Blanca/Fort Garland Metropolitan District recognized OPEB expense of \$359. At December 31, 2018, the Blanca/Fort Garland Metropolitan District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	143	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(505)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(223)
Contributions subsequent to the measurement date	1,953	N/A
Total	2,096	(728)

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2018

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (Continued)

\$1,953 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,	
2019	(142)
2020	(142)
2021	(142)
2022	(142)
2023	(15)
Thereafter	(2)

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2018

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (Continued)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

The Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 9

OTHER POST EMPLOYMENT BENEFITS (Continued)

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2018

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (Continued)

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2018

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (Continued)

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

*In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the Blanca/Fort Garland Metropolitan District proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	29,354	30,184	31,184

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 December 31, 2018

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (Continued)

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

Sensitivity of the Blanca/Fort Garland Metropolitan District proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	33,937	30,184	26,982

OPEB plan fiduciary net position. Detailed information about the HCTF'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.

BLANCA/FORT GARLAND METROPOLITAN DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 10 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	10,305	-	20,479	12,804
Conservation Trust Fund	-	-	12,804	-
Bond Redemption Fund	<u>-</u>	<u>10,305</u>	<u>-</u>	<u>20,479</u>
	<u>10,305</u>	<u>10,305</u>	<u>33,283</u>	<u>33,283</u>

NOTE 11 INTERFUND BALANCES

The General Fund and Bond Redemption Fund had amounts due to other funds at year end. They will be liquidated in early 2019. The transfer to the General Fund from the Bond Redemption Fund was done by resolution and represented prior collections of specific ownership taxes not required for debt service.

NOTE 12 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, 2018. 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, 2018

NOTE 12 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, 2017 is as follows:

Assets	<u>56,602,888</u>
Liabilities	30,815,521
Capital and Surplus	<u>25,787,367</u>
	<u>56,602,888</u>
Revenue	20,082,198
Underwriting Expenses	<u>18,721,378</u>
Underwriting Gain (Loss)	1,360,820
Other Income	631,496
Other – Change in Nonadmitted Assets	<u>(93,503)</u>
Net Income (Loss) and Changes	<u>1,898,813</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, 2017.

NOTE 13 BUDGET INFORMATION

For the year ended December 31, 2018, the General Fund had expenditures in excess of amounts budgeted of \$91,723.

NOTE 14 RESTATEMENT OF BEGINNING NET POSITION

The net position has been restated to reflect the implementation of GASB Statement 75. That statement requires that the District report their portion of any post employment benefit (OPEB) liability, and related deferred flows. The beginning net position of \$1,004,737 has been changed by the net OPEB liability at December 31, 2017 of \$(30,380) and related deferred flows of \$1,953, resulting in a restated beginning net position of \$976,280.

REQUIRED SUPPLEMENTARY INFORMATION

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

General Fund

Conservation Trust Fund

Pension Trend Data

OPEB 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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance-
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<u>REVENUES</u>				
Current Property Tax	404,221	404,221	382,039	(22,182)
Interest on Property Taxes	2,500	2,500	2,246	(254)
Delinquent Property Tax	12,000	12,000	45,171	33,171
Specific Ownership Tax	25,000	25,000	49,267	24,267
Ceramics	1,500	1,500	1,838	338
Concessions	5,000	5,000	4,639	(361)
Interest on Accounts	1,500	1,500	-	(1,500)
Membership Fees	5,000	5,000	7,727	2,727
Donations and Grants	1,500	1,500	7,650	6,150
Miscellaneous	500	500	873	373
Pool Fees	4,000	4,000	6,067	2,067
Room Rent	4,000	4,000	4,840	840
Swimming Lessons	1,000	1,000	-	(1,000)
Insurance Proceeds	-	-	5,632	5,632
Youth Camp Revenue	2,000	2,000	-	(2,000)
<u>Total Revenues</u>	<u>469,721</u>	<u>469,721</u>	<u>517,989</u>	<u>48,268</u>
<u>EXPENDITURES</u>				
<u>Culture and Recreation</u>				
Accounting	3,700	3,700	3,900	(200)
Advertising	1,000	1,000	700	300
Audit	3,750	3,750	3,975	(225)
Bank Charges	100	100	413	(313)
Communication	4,000	4,000	4,239	(239)
Concessions Expense	4,500	4,500	3,679	821
Dues & Subscriptions	-	-	315	(315)
Ceramic Expense	1,000	1,000	782	218
Electricity	18,000	18,000	23,141	(5,141)
First Aid Supplies	250	250	453	(203)
Heat	70,000	70,000	74,164	(4,164)
Holiday Celebrations	1,000	1,000	723	277
Insurance-General	14,000	14,000	15,620	(1,620)
Legal	500	500	-	500
Maintenance Supplies	5,000	5,000	6,421	(1,421)
Miscellaneous Expense	-	-	50	(50)
Office Supplies	3,858	3,858	4,135	(277)
Payroll Tax Expense	4,000	4,000	3,598	402
PERA Expense	27,000	27,000	26,232	768

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, 2018

<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	3,873	2,627
Postage	200	200	284	(84)
Purchased Services	9,000	9,000	6,841	2,159
Summer Food Program Expense	1,000	1,000	-	1,000
Summer Youth Program	11,000	11,000	3,356	7,644
Director-Salary	45,172	45,172	45,172	-
Director-Fringe	4,000	4,000	4,000	-
Facilities Coordinator Salaries	46,000	46,000	46,500	(500)
Facilities Coordinator Fringe	4,000	4,000	4,000	-
Bookkeeper - Salary	30,238	30,238	30,238	-
Bookkeeper – Fringe	4,000	4,000	4,000	-
Custodian-Salary	24,960	24,960	24,960	-
Custodian-Fringe	4,000	4,000	4,000	-
Part-Time Wages	31,620	31,620	24,124	7,496
Accrued Leave	16,000	16,000	-	16,000
Training & Staff Development	600	600	-	600
Travel	600	600	-	600
Town Team Expense	1,000	1,000	2,206	(1,206)
Upkeep & Repairs	29,443	29,443	24,935	4,508
Workers Compensation Insurance	3,000	3,000	671	2,329
Youth Camp Expense	1,000	1,000	-	1,000
Youth and Adult Programs	500	500	-	500
Treasurer’s Fee	12,000	12,000	13,193	(1,193)
Capital Outlay	22,230	22,230	146,551	(124,321)
Contingencies	-	-	-	-
<u>Total Expenditures</u>	<u>469,721</u>	<u>469,721</u>	<u>561,444</u>	<u>(91,723)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	-	-	<u>(43,455)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer	-	-	<u>10,305</u>	<u>10,305</u>
<u>Total Other Financing Sources (Uses)</u>	-	-	<u>10,305</u>	<u>10,305</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</u>	-	-	<u>(33,150)</u>	
<u>FUND BALANCE, January 1</u>	-	-	<u>132,728</u>	
<u>FUND BALANCE, December 31</u>	-	-	<u>99,578</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, 2018

	<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	8,662	662
Interest	<u>1,200</u>	<u>1,200</u>	<u>17</u>	(1,183)
<u>Total Revenues</u>	<u>9,200</u>	<u>9,200</u>	<u>8,679</u>	<u>(521)</u>
<u>EXPENDITURES</u>				
Culture and Recreation – Capital Outlay	<u>9,200</u>	<u>9,200</u>	-	<u>9,200</u>
<u>Total Expenditures</u>	<u>9,200</u>	<u>9,200</u>	-	<u>9,200</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	-	-	8,679	
<u>FUND BALANCE, January 1</u>	-	-	11,293	
<u>FUND BALANCE, December 31</u>	-	-	<u>19,972</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset)	0.0299%	0.0305%	0.0334%	0.0374%	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$332,802	\$412,188	\$367,653	\$302,451	-	-	-	-	-	-
District's covered payroll	\$191,471	\$188,557	\$184,527	\$189,544	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	174%	219%	199%	160%	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	79.37%	73.65%	76.86%	80.72%	-	-	-	-	-	-

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 24,279	\$ 23,909	\$ 23,398	\$ 24,034	\$ 23,059	\$ 23,337	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (24,279)</u>	<u>\$ (23,909)</u>	<u>\$ (23,398)</u>	<u>\$ (24,034)</u>	<u>\$ (23,059)</u>	<u>\$ (23,337)</u>	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
District's covered payroll	\$191,471	\$188,557	\$184,527	\$189,544	\$181,850	\$184,051	-	-	-	-
Contributions as a percentage of covered payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	-	-	-	-

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net OPEB liability (asset)	0.00232%	0.00234%	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset)	\$30,184	\$30,380	-	-	-	-	-	-	-	-
District's covered payroll	\$191,471	\$188,557	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	15.76%	16.11%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%	-	-	-	-	-	-	-	-

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 1,953	\$ 1,923	-	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$(1,953)</u>	<u>\$(1,923)</u>	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	-	-	-	-	-	-	-	-
District's covered payroll	\$191,471	\$188,557	-	-	-	-	-	-	-	-
Contributions as a percentage of covered payroll	1.02%	1.02%	-	-	-	-	-	-	-	-

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, 2018

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
<u>REVENUES</u>				
Property Taxes	142,858	142,858	153,386	10,528
Interest	-	-	940	940
Other	-	-	800	800
<u>Total Revenues</u>	142,858	142,858	155,126	12,268
<u>EXPENDITURES</u>				
Debt Service:				
Principal	80,000	80,000	80,000	-
Interest	32,306	32,306	32,306	-
Fees	30,552	30,552	-	30,552
<u>Total Expenditures</u>	142,858	142,858	112,306	30,552
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	-	-	42,820	
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer	-	-	(10,305)	(10,305)
<u>Total Other Financing Sources (Uses)</u>	-	-	(10,305)	(10,305)
<u>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	32,515	
<u>FUND BALANCE, January 1</u>	-	-	242,686	
<u>FUND BALANCE, December 31</u>	-	-	275,201	

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