Baca Grande Water and Sanitation District
(Saguache County, Colorado)

FINANCIAL STATEMENTS

with Independent Auditor's Report

December 31, 2015

Baca Grande Water and Sanitation District

TABLE OF CONTENTS

December 31, 2015

WAGNER BARNES & GRIGGS, PC

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Baca Grande Water and Sanitation District
Saguache County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Baca Grande Water and Sanitation District (the District), as of and for the year ended December 31, 2015, 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, the business-type activities, and each major fund of the District, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Wagner Barnes & Griggs, PC

12136 W. Bayaud Avenue., Suite 300 · Lakewood, Colorado 80228
303.202.1800 Office · 303.237.0155 Fax · www.wbcpaco.com

Adoption of New Accounting Standard

As discussed in Note 11 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on page 33 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 information on page 33 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wagner Barnes & Griggs, PC

Lakewood, Colorado
July 29, 2016

BASIC FINANCIAL STATEMENTS

Baca Grande Water and Sanitation District

STATEMENT OF NET POSITION

December 31, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 382,996	$ 164,487	$ 547,483
Cash and investments - restricted	75,700	904,710	980,410
Accounts receivable, net of allowance for uncollectibles	-	272,863	272,863
Taxes receivable - current	10,722	-	10,722
Taxes receivable - ensuing year	446,717	205,248	651,965
Prepaid expenses	-	1,553	1,553
Capital assets, not being depreciated	-	232,008	232,008
Capital assets, net	-	8,648,301	8,648,301
Total assets	916,135	10,429,170	11,345,305
DEFERRED OUTFLOWS OF RESOURCES			
Deferred cost of bond refunding	-	213,081	213,081
Pension related deferred outflow	-	49,323	49,323
Total deferred outflows of resources	-	262,404	262,404
LIABILITIES			
Accounts payable	7,990	64,301	72,291
Accrued interest payable	-	23,664	23,664
Unearned revenue	-	-	-
Noncurrent liabilities:			
Long-term debt:			
Due within one year	-	130,232	130,232
Due in more than one year	-	6,484,262	6,484,262
Net pension liability	-	518,738	518,738
Total liabilities	7,990	7,221,197	7,229,187
DEFERRED INFLOWS OF RESOURCES			
Deferred taxes receivable	446,717	205,248	651,965
Pension related deferred inflow	-	104	104
Total deferred inflows of resources	446,717	205,352	652,069
NET POSITION			
Net investment in capital assets	-	2,901,525	2,901,525
Restricted			
Emergency reserves	21,700	-	21,700
Loan operating reserve requirement	54,000	269,000	323,000
Unrestricted	385,728	94,500	480,228
Total net position	$ 461,428	$ 3,265,025	$ 3,726,453

The accompanying Notes to Financial Statements are an integral part of these statements.

Baca Grande Water and Sanitation District

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs:	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental activities:							
General government	$ 167,796	$ -	$ -	$ -	$ (167,796)	$ -	$ (167,796)
Total primary government	$ 167,796	$ -	$ -	$ -	(167,796)	-	(167,796)
Business-type activities:							
Water and sanitation	$ 1,419,393	$ 928,245	$ -	$ 100,371	-	(390,777)	(390,777)
Interest on long-term debt and related costs	300,139	-	-	-	-	(300,139)	(300,139)
Total primary government	$ 1,719,532	$ 928,245	$ -	$ 100,371	-	(690,916)	(690,916)
General revenues:							
Property taxes					604,863	109,023	713,886
Specific ownership taxes					95,141	18,122	113,263
Net investment income					14,100	1,723	15,823
Other income					8,628	-	8,628
Transfer (to) from other funds					(420,000)	420,000	-
Total general revenues					302,732	548,868	851,600
Change in net position					134,936	(142,048)	(7,112)
Net position - beginning of year (restated)					326,492	3,407,073	3,733,565
Net position - end of year					$ 461,428	$ 3,265,025	$ 3,726,453

The accompanying Notes to Financial Statements are an integral part of these statements.

Baca Grande Water and Sanitation District

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2015

	General
ASSETS	
Cash and investments	$ 382,996
Cash and investments - restricted	75,700
Taxes receivable - current	10,722
Taxes receivable - ensuing year	446,717
Total assets	$ 916,135
LIABILITIES	
Accounts payable	7,990
Total liabilities	7,990
DEFERRED INFLOWS OF RESOURCES	
Deferred taxes receivable	446,717
Total deferred inflows of resources	446,717
FUND BALANCES	
Restricted for:	
Emergencies	21,700
Loan operating reserve requirement	54,000
Assigned to:	
Designated for subsequent year's expenditures	-
Unassigned	385,728
Total fund balances	461,428
Total liabilities, deferred inflows of resources, and fund balances	$ 916,135
Net position of governmental activities	$ 461,428

The accompanying Notes to Financial Statements are an integral part of these statements.

Baca Grande Water and Sanitation District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

		General
Revenues		
Property taxes	$	604,863
Specific ownership taxes		95,141
Interest income		14,100
Miscellaneous income		8,628
Total revenues		722,732
Expenditures		
General government		
Audit		10,142
Accounting		39,650
County Treasurer's fees		15,528
Director's fees		5,100
Legal fees		42,902
Management		54,474
Total expenditures		167,796
Excess of revenues over expenditures		554,936
Other financing (uses)		
Transfer to other funds		(420,000)
Total other financing (uses)		(420,000)
Net change in fund balance		134,936
Fund balance - beginning of year		326,491
Fund balance - end of year	$	461,427
Change in net position of governmental activities	$	134,936

The accompanying Notes to Financial Statements are an integral part of these statements.

Baca Grande Water and Sanitation District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2015

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Property taxes	$ 590,203	$ 604,863	$ 14,660
Specific ownership taxes	59,649	95,141	35,492
Investment income	2,160	14,100	11,940
Miscellaneous income	3,000	8,628	5,628
Total revenues	655,012	722,732	67,720
Expenditures			
General government			
Audit	10,500	10,142	358
Accounting	40,000	39,650	350
County Treasurer's fees	18,836	15,528	3,308
Director's fees	6,500	5,100	1,400
Elections	-	-	-
Legal fees	80,000	42,902	37,098
Management	65,000	54,474	10,526
Contingency	-	-	-
Total expenditures	220,836	167,796	53,040
Excess of revenues over (under) expenditures	434,176	554,936	120,760
Other financing (uses)			
Emergency reserve	(19,660)	-	19,660
Transfer to other funds	(508,221)	(420,000)	88,221
Total other financing (uses)	(527,881)	(420,000)	107,881
Net change in fund balance	(93,705)	134,936	228,641
Fund balance - beginning of year	315,263	326,491	11,228
Fund balance - end of year	$ 221,558	$ 461,427	$ 239,869

The accompanying Notes to Financial Statements are an integral part of these statements.

Baca Grande Water and Sanitation District

STATEMENT OF NET POSITION
PROPRIETARY FUND

December 31, 2015

		Water and Sewer Enterprise Fund
ASSETS		
Cash and investments	$	164,487
Cash and investments - restricted		904,710
Accounts receivable, net of allowance for uncollectibles		272,863
Taxes receivable - ensuing yea		205,248
Prepaid expenses		1,553
Capital assets not being depreciated		232,008
Capital assets, net of accumulated depreciation		8,648,301
Total assets		10,429,170
DEFERRED OUTFLOWS OF RESOURCES		
Deferred cost of bond refunding		213,081
Pension related deferred outflow		49,323
Total deferred outflows of resources		262,404
LIABILITIES		
Accounts payable		64,301
Accrued interest payable		23,664
Unearned revenue		-
Noncurrent liabilities:		
Long-term debt:		
Due within one year		130,232
Due in more than one year		6,484,262
Net pension liability		518,738
Total liabilities		7,221,197
DEFERRED INFLOWS OF RESOURCES		
Deferred taxes receivable		205,248
Pension related deferred inflow		104
Total deferred inflows of resources		205,352
NET POSITION		
Net investment in capital assets		3,160,253
Restricted		
Loan operating reserve requirement		269,000
Unrestricted		(164,228)
Total net position	$	3,265,025

The accompanying Notes to Financial Statements are an integral part of these statements.

Baca Grande Water and Sanitation District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Year Ended December 31, 2015

		Water and Sewer Enterprise Fund
Operating revenues		
Water and sewer fees	$	569,859
Availability of service fees		253,903
Miscellaneous revenue		104,483
Total operating revenues		928,245
Operating expenses		
Depreciation		489,823
Insurance		28,144
Office expense		72,900
Operating expenses		2,539
Professional fees		38,897
Repair and maintenance		96,538
Salaries and benefits		435,578
Small tools and supplies		4,946
Testing		4,763
Utilities		94,425
Utility billing		11,237
Vehicle operations		20,571
Water costs		119,032
Total operating expenditures		1,419,393
Operating (loss)		(491,148)

(continued)

The accompanying Notes to Financial Statements are an integral part of these statements.

Baca Grande Water and Sanitation District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Year Ended December 31, 2015
(continued)

	Water and Sewer Enterprise Fund
Operating (loss) from page 7	(491,148)
Nonoperating revenues (expenses)	
Property taxes	109,023
Specific ownership taxes	18,122
Grant income	81,837
Interest income	1,723
Interest and fiscal expense	(300,139)
Total nonoperating revenues (expenses)	(89,434)
Capital contributions - tap fees	18,534
Transfers from other funds	420,000
Change in net position	(142,048)
Net position - beginning of year (restated)	3,407,073
Net position - end of year	$ 3,265,025

The accompanying Notes to Financial Statements are an integral part of these statements.

Baca Grande Water and Sanitation District

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended December 31, 2015

Cash flows from operating activities	
Cash received from customers	$ 895,119
Cash payments to employees for services	(361,716)
Cash payments to suppliers for goods and services	(474,941)
Net cash (used) by operating activities	58,462
Cash flows from noncapital financing activities	
Transfers from governmental activities	420,000
Net cash provided by noncapital financing activities	420,000
Cash flows from capital and related financing activities	
Property and specific ownership taxes received	127,145
Tap fees received	18,534
Treasurer fees	(2,958)
Acquisition of capital assets	(190,542)
Principal paid on debt	(121,769)
Interest and fiscal charges paid on debt	(287,362)
Grant income	81,837
Net cash (used) by capital and related financing activities	(375,115)
Cash flows from investing activities	
Investment earnings received	1,723
Net cash provided by investing activities	1,723
Net increase (decrease) in cash and cash equivalents	105,070
Cash and cash equivalents - beginning of year	964,127
Cash and cash equivalents - end of year	$ 1,069,197

(continued)

The accompanying Notes to Financial Statements are an integral part of these statements.

Baca Grande Water and Sanitation District

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended December 31, 2015
(continued)

Reconciliation of operating income to net cash (used) by operating activities		
Operating loss	$	(491,148)
Adjustments to reconcile operating loss to net cash (used) by operating activities		
Depreciation		489,823
(Increase) decrease in:		
Accounts receivable		(33,276)
Prepaid expenses		26,758
Increase (decrease) in:		
Accounts payable		(7,707)
Pension related liabilites		73,862
Accrued availability of service fees		150
Net cash (used) by operating activities	$	58,462

The accompanying Notes to Financial Statements are an integral part of these statements.

Baca Grande Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Note 1 – <u>Definition of reporting entity</u>

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Saguache County, Colorado. The District was established on January 21, 1972 to provide water and sewer services within and outside of its boundaries.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

Note 2 – <u>Summary of significant accounting policies</u>

The more significant accounting policies of the District are described as follows:

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 of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are normally 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.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

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

Separate financial statements are provided for the governmental funds and proprietary fund. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures, other than interest on long-term obligations, generally are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

The general fund is the District’s primary operating fund. It accounts for all financial resources of the general government.

The District reports the following major proprietary fund:

The Water and Sewer Enterprise Fund accounts for the activities of providing wastewater treatment and water services to customers within and outside of the District's boundaries. The enterprise fund is used to account for operations which are financed and operated in a manner similar to private business enterprises; where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The proprietary fund distinguishes 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. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Cash equivalents

For purposes of the Statements of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Investments for the District are reported at fair value.

Accounts receivable, allowance for uncollectible accounts

Accounts receivable is reported net of an allowance for uncollectible accounts of $28,421 at December 31, 2015.

Property taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer’s election, in February and June.

Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes ($29,295 for 2015), are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Amortization of bond issue premium

In the government-wide financial statements and proprietary fund types in the fund financial statements, bond premiums are reported as a component of noncurrent liabilities. Bond premiums are amortized over the life of the bonds using the effective interest method. Amortization of bond premiums reduced interest expense by $7,020 for the year ended December 31, 2015. Accumulated amortization of bond premiums totaled $36,613 at December 31, 2015.

Cost of Bond Refunding

In the government-wide financial statements and proprietary fund types in the fund financial statements, the deferred cost on bond refunding is being amortized using the interest method over the life of the refunded bonds. The amortization amount is a component of interest expense and the unamortized deferred cost of $213,081 at December 31, 2015, is reflected as deferred outflows of financial resources.

Capital assets

Capital assets include land, a water plant and distribution systems, a sewage treatment plant and collection systems and related improvements and equipment. Capital assets are defined by the District as those assets with an initial, individual cost of $5,000 or greater 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 market value at the date of donation or at the donor's cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

	Years
Water plant and distribution systems	20-40
Sewage treatment plant and collection systems	20-40
Equipment	5-15

Compensated absences

District employees earn paid time off at the rate of 160 to 200 hours per year, based on length of service, which is to be used for vacations, medical leave or personal time off. Employees are allowed to accrue up to 80 hours of unused paid time off at the end of each calendar year. Compensated absences are recorded as current salary cost when paid.

Contributed capital

Tap fees are generally recorded as capital contributions when received.

Fund equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposed for which spending can occur. Governmental funds report up to five classifications of fund balance. The classifications and the relative strengths of the spending constraints as detailed below. Not every government or governmental fund will present all of these components.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

At December 31, 2015, the District's general fund balance had $21,700 restricted by legislation (for emergencies) and $54,000 restricted by creditors (for debt service).

The remaining general fund balance is considered by the District to be unassigned. At December 31, 2015, the District had an unassigned general fund balance of $385,578.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds a public hearing in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

The enterprise, debt service and capital projects funds have been combined in the Schedule of Revenues, Expenditures, and Changes in Funds Available – Budget and Actual (Budgetary Basis) - Enterprise Fund. Budgeted transfers between these funds have been eliminated.

During the year ended December 31, 2015, supplementary appropriations approved by the District modified each fund's appropriations as follows:

	Original Appropriations	Final Appropriations
Enterprise (Debt Service) Fund	$ 424,730	$ 450,000

Use of estimates

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

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2015 Statement of net position as follows:

Cash and investments	$	547,483
Cash and investments - restricted		980,410
Total cash and investments	$	1,527,893

Cash and investments as of December 31, 2015 consist of the following:		
Deposits with financial institutions	$	892,183
Investments		635,710
Total cash and investments	$	1,527,893

At December 31, 2015, the District's cash deposits had bank balances of $563,473 and carrying balances of $547,483.

Deposits with financial institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2014, the federal insurance limit was $250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2015, the District's bank balances and carrying balances were federally insured or collateralized.

Investments

The District's investment policy adopts state statutes regarding investments.

The District primarily limits its investments to local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2015, the District had the following investments, recorded at fair value:

Investment	Maturity	
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	$ 635,710

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAm by Standard & Poor's.

Restricted cash and investments

As of December 31, 2015, unspent bond proceeds were restricted for the costs to improve various components of the water and sewer systems of $635,710.

In accordance with the terms of the Colorado Water Resource and Power Development Authority Loans (see Note 5) the District is required to maintain an operating reserve equal to three months of operation and maintenance expenses, excluding depreciation of the water and sewer systems, as set forth in the annual budget for the current fiscal year. As of December 31, 2015, the required operating reserve was $323,000, which met the requirement of the loan covenants.

The District restricted $21,700 in compliance with State requirements for emergency reserves (Note 10).

Baca Grande Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2015

Note 4 – Capital assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance at December 31, 2014	Increases	Decreases	Balance at December 31, 2015
Business-type activities				
Capital assets, not being depreciated				
Land	$ 52,823	$ -	$ -	$ 52,823
Construction in progress	212,231	159,023	192,069	179,185
Total capital assets, not being depreciated	265,054	159,023	192,069	232,008
Capital assets being depreciated				
Water plant and distribution system	8,429,196	203,912	-	8,633,108
Sewer plant and collection system	8,185,108	-	-	8,185,108
Machinery and equipment	258,291	19,676	-	277,967
Total capital assets being depreciated	16,872,595	223,588	-	17,096,183
Less accumulated depreciation for				
Water plant and distribution system	3,934,194	232,546	-	4,166,740
Sewer plant and collection system	3,858,381	211,323	-	4,069,704
Machinery and equipment	165,484	45,954	-	211,438
Total accumulated depreciation	7,958,059	489,823	-	8,447,882
Total capital assets being depreciated, net	8,914,536	(266,235)	-	8,648,301
Capital assets, net	$ 9,179,590	$ (107,212)	$ 192,069	$ 8,880,309

Depreciation expense of $489,823 for the year ended December 31, 2015 was charged to the enterprise fund operations.

Note 5 – Long-term obligations

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2015:

	Balance at December 31, 2014	Additions	Reductions	Balance at December 31, 2015	Due Within One Year
Business-type activities					
General Obligation Bonds:					
2010 Bonds	$ 5,405,000	$ -	$ 50,000	$ 5,355,000	$ 50,000
	5,405,000	-	50,000	5,355,000	50,000
Bond issue premium	143,890	-	7,020	136,871	7,020
Total bonds payable	5,548,890	-	57,020	5,491,871	57,020
CWRPDA Loans:					
2009 Loan	1,194,392	-	71,769	1,122,623	73,212
	$ 6,743,282	$ -	$ 128,789	$ 6,614,494	$ 130,232

Bonds payable

$5,405,000 General Obligation Refunding and Improvement Bonds, Series 2010, dated October 26, 2010

The District issued $5,405,000 in general obligation bonds for the purpose of refunding certain outstanding financial obligations and funding certain capital improvements to various components of the water and sewer systems. Proceeds from the sale of the bonds were also used to provide funds to pay future bond interest and to pay the costs of issuance of the bonds.

The bonds consist of serial bonds issued in the amount of $400,000 due annually on each December 1 through 2020 and term bonds issued in the amounts of $600,000, $1,000,000 and $3,405,000 due December 1, 2025, 2030 and 2040, respectively. Such term bonds are subject to mandatory redemption. The bonds bear interest at 2.75% to 4.77%, payable semiannually on each June 1 and December 1, commencing June 1, 2011.

The term bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2020, and on any date thereafter, without redemption premium. Serial bonds are not callable prior to maturity.

The bonds and interest are insured as to repayment by the District.

Loans payable

$1,483,750 Loan Agreement, Colorado Water Resources and Power Development Authority, dated August 19, 2009

On August 19, 2009, the District entered into a loan agreement with CWRPDA for a maximum principal amount of $1,483,750. The loan proceeds were used for distribution system improvements, water main and meter replacements, and well improvements.

Payments of principal and interest are made semi-annually on each June 1 and December 1, beginning December 1, 2010 through June 1, 2029. The loan bears interest at the rate of 2.0% per annum. The District has the option to prepay the loan, in whole or in part, without penalty upon prior written notice of not less than 30 days to CWRPDA.

The 2009 loan agreement contains a restrictive covenant which requires the District to maintain a three-month operating reserve (see Note 3). At December 31, 2015, the District restricted $323,000 of fund balance in compliance with this covenant.

Debt maturities

Debt maturities for the next five years and to maturity are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	$ 123,212	$ 283,963	$ 407,175
2017	124,684	280,992	405,676
2018	126,185	277,990	404,175
2019	177,717	274,834	452,551
2020	179,278	269,772	449,050
2021-2025	1,020,946	1,249,307	2,270,253
2026-2030	1,320,601	1,024,952	2,345,553
2031-2035	1,415,000	718,500	2,133,500
2036-2040	1,990,000	314,500	2,304,500
	$ 6,477,623	$ 4,694,810	$ 11,172,433

Refunding

On October 26, 2010, the District refunded and paid the following financial obligations by the issuance of $3,995,000 General Obligation Refunding and Improvement Bonds, Series 2010 (refunding component of the $5,405,000 issue) with an average interest rate of 4.93%.

	Dated	Principal Refunded	Average Interest Rate
General Obligation Bonds, Series 2009	May 21, 2009	$ 3,105,000	7.86%
2001 CWRPDA Loan	December 20, 2001	544,434	4.00%
2007 Wells Fargo Capital Lease	January 19, 2007	174,717	4.20%
		$ 3,824,151	

The District refunded the financial obligations to reduce its total debt service payments over the next 30 years by almost $243,058 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $772,925.

In the government-wide statements, the District incurred a cost on bond refunding in the amount of $275,881, which has been deferred and is being amortized over the life of the refunded 2009 bonds. At December 31, 2015, the remaining amount to be deferred was $213,081.

Debt authorization

On November 4, 2008 and May 4, 2010, a majority of the qualified electors of the District authorized the issuance of indebtedness in amounts not to exceed $6,000,000 and $6,000,000, respectively, at interest rates not to exceed 8.5% per annum. The 2010 authorization was for the purpose of refunding previously issued bonds. At December 31, 2014, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

Purpose	**Authorized in 2008 and 2010**	**Used by 2009 Bonds and Note**	**Used by 2010 Bonds**	**Authorized But Unissued**
Water supply	$ 3,000,000	$ 2,039,234	$ 960,000	$ 766
Sanitary sewer	3,000,000	2,549,516	450,000	484
Refunding	6,000,000	-	3,995,000	2,005,000
Total	$ 12,000,000	$ 4,588,750	$ 5,405,000	$ 2,006,250

Note 6 – Net position

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2015, the District had net investment in capital assets, calculated as follows:

	Business-type Activities
Capital assets, not being depreciated	$ 232,008
Capital assets, net	8,648,301
Current portion of long-term debt	(130,232)
Long-term debt due in more than one year	(6,484,262)
Unspent bond proceeds	635,710
Net investment in capital assets	$ 2,901,525

The restricted component of net position consist of assets that are restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The purposes for the restrictions of net position are described in Note 3. As of December 31, 2015, the District had restricted net position as follows:

	Governmental Activities	Business-type Activities
Emergency reserves	$ 21,700	$ -
Loan operating reserve requirement	54,000	269,000
Restricted net position	$ 75,700	$ 269,000

As of December 31, 2015, the District had unrestricted net position of $480,078.

Note 7 – Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

Contributions. Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate[1]	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%
Amount Apportioned to the LGDTF[1]	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	1.50%
Total Employer Contribution Rate to the LGDTF[1]	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 District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were $37,358 for the year ended December 31, 2015.

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

At December 31, 2015, the District reported a liability of $518,738 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2014, the District's proportion was .05787 percent, which was an increase of .0045 percent from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the District recognized additional PERA pension expense of $73,862. At December 31, 2015, the 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	-	-
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	28,131	-
Changes in porportion and differences between contributions recognized and proprotionate share of contributions	(16,166)	(104)
Contributions subsequent to the measurement date	37,358	-
Total	49,323	(104)

$37,358 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2016	7,496
2017	4,365

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

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

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	847,156	518,738	244,934

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

Note 8 – Interfund and operating transfers

The transfer of $420,000 from the General Fund to the Enterprise Fund was for the purpose of assisting with operating costs of the Enterprise Fund.

Note 9 – Risk management

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

The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2015. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

Note 10 – Tax, spending and debt limitations

Article X, Section 20 of the Colorado constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

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 District's Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

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

The District's management believes, after consultation with legal counsel, 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.

On November 3, 1998, the voters approved a ballot which stated that the District is authorized to collect, retain, and expend all revenues including grants and other funds collected during 1998 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado constitution, effective January 1, 1998, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

On November 4, 2008, the District electors approved the following ballot question:

Shall Baca Grande Water and Sanitation District taxes be increased $700,000 annually, commencing in collection year 2009, or by such greater or annual amount as may be derived from an ad valorem mill levy not in excess of 50 mills annually (provided that such maximum mill levy shall be adjusted up or down to account for changes in law or the method by which assessed valuation is calculated occurring after 2008, so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes), the revenues there from to be used for the purpose of paying the District's operations, maintenance, and other expenses, such taxing authority, if approved, to replace any previous taxing authority for operational purposes heretofore approved or exercised; and shall the proceeds of such taxes and investment income thereon be collected and spent by the District as a voter-approved revenue change in 2009 and in each year thereafter, without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, Colorado Revised Statutes, and without limiting in any year the amount of other revenues that may be collected and spent by the District?

Note 11 – Change in accounting principle and restatement of net position

In 2015 the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. The statements are intended to provide decision-useful information, support assessments of accountability and interperiod equity, and create additional transparency for pension reporting. The District restated beginning net position as follows, as a result of the implementation of these standards:

Net position as previously reported, January 1, 2015	$ 4,129,222
Restatement for beginning net pension liability	(395,657)
Net position January 1, 2015, restated	$ 3,733,565

REQUIRED SUPPLEMENTARY INFORMATION

Baca Grande Water and Sanitation District
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	12/31/2014	12/31/2013
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY		
District's Proportion of the Net Pension Liability	0.0578749035%	0.0534154517%
District's Proportionate Share of the Net Pension Liability	$ 518,738	$ 439,567
District's Covered-Employee Payroll	$ 317,241	$ 281,377
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	163.52%	156.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.7%	77.7%

Baca Grande Water and Sanitation District
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

	12/31/2014	12/31/2013
DISTRICT CONTRIBUTIONS		
Statutorily Required Contribution	$ 40,212	$ 36,135
Contributions in Relation to the Statutorily Required Contribution	40,212	36,135
Contribution Deficiency (Excess)	$ -	$ -
District's Covered-Employee Payroll	$ 317,241	$ 281,377
Contributions as a Percentage of Covered-Employee Payroll	12.7%	12.8%

These schedules are presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years information is available.

SUPPLEMENTAL INFORMATION

Baca Grande Water and Sanitation District

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) ENTERPRISE FUND

For the Year Ended December 31, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Water and sewer fees	$ 454,679	$ 454,679	$ 569,859	$ 115,180
Availability of service fees	234,730	234,730	253,903	19,173
Property and specific ownership taxes	123,781	123,781	127,145	3,364
Tap fees	24,300	24,300	18,534	(5,766)
Miscellaneous revenue	27,500	27,500	77,153	49,653
Payments in lieu of taxes	24,102	24,102	27,330	3,228
Grant income	-	-	81,837	81,837
Interest income	10,000	10,000	1,723	(8,277)
Transfer from other funds	508,221	508,221	420,000	(88,221)
Total revenues	1,407,313	1,407,313	1,577,484	170,171
Expenditures				
Operations				
Insurance	30,000	30,000	28,144	1,856
Office expense	30,860	30,860	72,900	(42,040)
Operating expenses	20,204	20,204	2,539	17,665
Professional fees	48,440	48,440	38,897	9,543
Repair and maintenance	175,450	175,450	96,538	78,912
Salaries and benefits	421,700	421,700	361,716	59,984
Small tools and supplies	8,000	8,000	4,946	3,054
Testing	10,500	10,500	4,763	5,737
Utilities	117,900	117,900	94,425	23,475
Utility billing	12,000	12,000	11,237	763
Vehicle operations	38,000	38,000	20,571	17,429
Water costs	105,719	105,719	119,032	(13,313)
Total operations expenditures	1,018,773	1,018,773	855,708	163,065

(continued)

Baca Grande Water and Sanitation District

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) ENTERPRISE FUND

For the Year Ended December 31, 2015

(continued)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Expenditures (continued)				
Debt service				
Principal	121,769	121,770	121,770	-
Interest	286,781	286,874	286,874	-
Trustee, fiscal, and paying agent fees	6,100	31,276	3,238	28,038
Capital outlay	658,828	658,828	190,542	468,286
Total expenditures	2,092,251	2,117,521	1,458,132	659,389
Excess of revenues over (under) expenditures	(684,938)	(710,208)	119,352	829,560
Funds available - beginning of year	940,795	1,539,335	1,549,084	9,749
Funds available - end of year	$ 255,857	$ 829,127	$ 1,668,436	$ 839,309

Baca Grande Water and Sanitation District

RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ENTERPRISE FUND

For the Year Ended December 31, 2015

Revenues (budgetary basis)	$ 1,577,484
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	1,577,484
Expenditures (budgetary basis)	1,458,132
Depreciation	489,823
Amortization of bond premium	(7,020)
Amortization of deferred loss on refunding	17,047
Debt principal payments	(121,770)
Capital outlay	(190,542)
Pension related adjustments	73,862
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	1,719,532
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	$ (142,048)

Baca Grande Water and Sanitation District

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2015

Year Ended December 31,	$5,405,000 General Obligation Bonds, Series 2010 Principal Due December 1, Interest Rate 2.75% to 4.77% Payable June 1 and December 1			$1.483,750 Colorado Water Resources and Power Development Authority Loan Principal and Interest Due June 1 and December 1 Interest rate 2.00%		
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2016	$ 50,000	$ 261,875	$ 311,875	$ 73,212	$ 22,088	$ 95,300
2017	50,000	260,375	310,375	74,684	20,617	95,301
2018	50,000	258,875	308,875	76,185	19,115	95,300
2019	100,000	257,250	357,250	77,717	17,584	95,301
2020	100,000	253,750	353,750	79,278	16,022	95,300
2021	110,000	250,250	360,250	80,872	14,428	95,300
2022	115,000	244,750	359,750	82,498	12,803	95,301
2023	120,000	239,000	359,000	84,156	11,145	95,301
2024	125,000	233,000	358,000	85,847	9,453	95,300
2025	130,000	226,750	356,750	87,573	7,728	95,301
2026	140,000	220,250	360,250	89,333	5,968	95,301
2027	195,000	213,250	408,250	91,129	4,172	95,301
2028	210,000	203,500	413,500	92,960	2,340	95,300
2029	220,000	193,000	413,000	47,179	472	47,651
2030	235,000	182,000	417,000	-	-	-
2031	250,000	170,250	420,250	-	-	-
2032	265,000	157,750	422,750	-	-	-
2033	280,000	144,500	424,500	-	-	-
2034	300,000	130,500	430,500	-	-	-
2035	320,000	115,500	435,500	-	-	-
2036	335,000	99,500	434,500	-	-	-
2037	355,000	82,750	437,750	-	-	-
2038	410,000	65,000	475,000	-	-	-
2039	435,000	44,500	479,500	-	-	-
2040	455,000	22,750	477,750	-	-	-
	$ 5,355,000	$ 4,530,875	$ 9,885,875	$ 1,122,623	$ 163,935	$ 1,286,558

SUPPLEMENTAL INFORMATION

Series 2010 Bonds are subject to optional redemption on December 1, 2020 without redemption premium.

(continued)

Baca Grande Water and Sanitation District

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2015
(continuted)

Year Ended December 31,	**Principal**	**Interest**	**Total**
		Total	
2016	$ 123,212	$ 283,963	$ 407,175
2017	124,684	280,992	405,676
2018	126,185	277,990	404,175
2019	177,717	274,834	452,551
2020	179,278	269,772	449,050
2021	190,872	264,678	455,550
2022	197,498	257,553	455,051
2023	204,156	250,145	454,301
2024	210,847	242,453	453,300
2025	217,573	234,478	452,051
2026	229,333	226,218	455,551
2027	286,129	217,422	503,551
2028	302,960	205,840	508,800
2029	267,179	193,472	460,651
2030	235,000	182,000	417,000
2031	250,000	170,250	420,250
2032	265,000	157,750	422,750
2033	280,000	144,500	424,500
2034	300,000	130,500	430,500
2035	320,000	115,500	435,500
2036	335,000	99,500	434,500
2037	355,000	82,750	437,750
2038	410,000	65,000	475,000
2039	435,000	44,500	479,500
2040	455,000	22,750	477,750
	$ 6,477,623	$ 4,694,810	$ 11,172,433