

**BLUE VALLEY METROPOLITAN DISTRICT
Grand County, CO**

**FINANCIAL STATEMENTS
December 31, 2017**

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Office of the State Auditor

July 24, 2018

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Blue Valley Metropolitan District

We have audited the accompanying financial statements of the business type activities of Blue Valley Metropolitan District as of and for the year ended December 31, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other-Matters

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blue Valley Metropolitan District's basic financial statements as a whole. The supplemental information on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Gumm + Associates LLC". The signature is written in a cursive, flowing style.

July 9, 2018
Brighton, Colorado

Basic Financial Statements

Blue Valley Metropolitan District
Statement of Financial Position
December 31, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 251,559
Accounts receivable-service charges	22,563
Prepaid expenses	2,368
Property taxes receivable	<u>32,574</u>
Total Current Assets	<u>309,064</u>

Noncurrent Assets

Capital Assets

Nondepreciable

Land	23,320
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Depreciable

Water distribution system	1,439,677
Office equipment	6,349
Maintenance equipment	<u>722</u>

Total Capital Assets	<u>1,470,068</u>
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Less: Accumulated depreciation	<u>(522,378)</u>
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Net Capital Assets	<u>947,690</u>
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Total Assets	<u>1,256,754</u>
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Liabilities

Current Liabilities

Accounts payable	10,566
Total Liabilities	<u>10,566</u>

Deferred Inflows of Resources

Deferred property taxes	<u>32,574</u>
Total Deferred Inflows of Resources	<u>32,574</u>

Net Position

Net Investment in capital assets	947,690
Restricted for emergencies	1,162
Unrestricted	<u>264,762</u>
Total Net Position	<u>\$ 1,213,614</u>

The accompanying notes are an integral part of these financial statements

Blue Valley Metropolitan District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017

Operating Revenues	
Water sales and fees	\$ 93,248
Total Operating Revenues	93,248
Operating Expenses	
General and administration	23,242
Water operations	148,319
Depreciation expense	41,035
Total Operating Expenses	212,596
Operating Loss	(119,348)
Nonoperating Revenues (Expenses)	
Property taxes - operations	75,991
Specific ownership taxes	5,251
Interest income	716
Connection fees	24,000
Interest and bond fees	(2,271)
County treasurer fees	(3,803)
Total Nonoperating Revenues (Expenses)	99,884
Change in Net Position	(19,464)
Net Position, beginning of year	1,233,078
Net Position, end of year	\$ 1,213,614

The accompanying notes are an integral part of these financial statements

Blue Valley Metropolitan District
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows From Operating Activities	
Cash received from customers	\$ 96,147
Cash paid to suppliers	(166,173)
Net cash provided (used) by operating activities	<u>(70,026)</u>
Cash Flows From Non-Capital Financing Activities	
Property and ownership taxes received	81,242
Fee paid to county treasurer	(3,803)
Cash received from connection charges	24,000
Net cash provided (used) by non-capital financing activities	<u>101,439</u>
Cash Flows From Capital And Related Financing Activities	
Interest paid	(3,000)
Principal paid	(40,000)
Net cash provided (used) in capital and related financing activities	<u>(43,000)</u>
Cash Flows From Investing Activities	
Investment income received	716
Net cash provided (used) by investing activities	<u>716</u>
Net increase (decrease) in cash and cash equivalents	(10,871)
Cash and cash equivalents, beginning of year	<u>262,430</u>
Cash and cash equivalents, end of year	<u>\$ 251,559</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Loss	\$ (119,348)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities	
Depreciation and amortization	41,035
Changes in assets and liabilities	
Accounts receivable	2,899
Prepaid insurance	(2,368)
Accounts payable	7,756
Net Cash Provided (Used) by Operating Activities	<u>\$ (70,026)</u>

The accompanying notes are an integral part of these financial statements

Blue Valley Metropolitan District
Notes to Financial Statements
December 31, 2017

Note 1 Summary of Significant Accounting Policies

The Blue Valley Metropolitan District is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water services within its jurisdictional boundaries.

The financial statements of the Blue Valley Metropolitan District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Financial Reporting Entity

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

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

Basis of Presentation

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

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

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

The District follows all pronouncement issued by the Governmental Accounting Standards Board (GASB) which is the authoritative body.

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2017

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

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

Property Taxes

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

Allowance of Doubtful Accounts

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

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2017

Note 1 Summary of Significant Accounting Policies (Continued)

Assets and Liabilities

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

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

Capital assets - assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$500. Depreciation over the estimated useful lives of the assets is computed using the straight-line method. The estimated useful lives are 5-40 years for water distribution system, 20-40 years for building improvements, and 5 years for vehicles, machinery and equipment.

Deferred Inflows of Resources

Deferred revenues – deferred revenues include property taxes, which have been certified but not yet collected.

Net Position

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

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

Deferred Outflows / Inflows of Resources

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

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2017

Note 1 Summary of Significant Accounting Policies (Continued)

Cash Equivalents

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

Use of Estimates in the Preparation of Financial Statements

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

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2017, the District's cash deposits had a carrying balance of \$225,252 and a corresponding bank balance of \$225,252, all of which was insured by the Federal Deposit Insurance Corporation, respectively.

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

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

Custodial Credit Risk – Deposits

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

Investments

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

- Obligations of the United States and certain United States government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of United States local government entities.
- Bankers' acceptances of certain banks.
- Commercial paper.

**Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2017**

Note 2 Cash and Investments (Continued)

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

At December 31, 2017 the District had \$26, invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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

Cash deposits	\$ 225,252
COLOTRUST	26,307
	<hr/>
Total cash and cash equivalents	<u>\$ 251,559</u>

Note 3 Accounts Receivable

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

Water charges	\$ 22,563
Less allowance for doubtful accounts	<hr/> -
Net Accounts Receivable	<u>\$ 22,563</u>

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2017

Note 4 Capital Assets

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

	Balance at 12/31/2016	Additions	Deletions	Balance at 12/31/2017
Nondepreciable				
Land easements and water rights	\$ 23,320	\$ -	\$ -	\$ 23,320
Total Nondepreciable	<u>23,320</u>	<u>-</u>	<u>-</u>	<u>23,320</u>
Depreciable				
Water distribution system	888,656	-	-	888,656
Building and improvements	551,021	-	-	551,021
Vehicles, machinery and equip	7,071	-	-	7,071
Total Depreciable	<u>1,446,748</u>	<u>-</u>	<u>-</u>	<u>1,446,748</u>
TOTAL	<u>1,470,068</u>	<u>-</u>	<u>-</u>	<u>1,470,068</u>
Less Accumulated Depreciation				
Water distribution system	(253,453)	(28,524)	-	(281,977)
Building and improvements	(220,819)	(12,511)	-	(233,330)
Vehicles, machinery and equip	(7,071)	-	-	(7,071)
Total Accumulated Depreciation	<u>(481,343)</u>	<u>(41,035)</u>	<u>-</u>	<u>(522,378)</u>
Net Capital Assets	<u>\$ 988,725</u>	<u>\$ (41,035)</u>	<u>\$ -</u>	<u>\$ 947,690</u>

Depreciation expense for the year ended December 31, 2017 was \$41,035.

Note 5 Long-term Debt

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

On April 1, 1998, the District issued \$450,000 in general obligation water bonds for the purpose of acquiring, constructing, operating and maintaining facilities and related improvements within the District. These bonds have varying maturities through 2017 and carry an interest rate of 6.25% per annum. Under the terms of the bond agreement, the total principal and interest repayment cost cannot exceed \$900,000.

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

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Amounts Due Within One Year
Bonds payable	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
Total Long-term Debt	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ -</u>

The note was paid in full as of December 31, 2017; therefore there are no future debt service requirements.

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2017

Note 6 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. The District has created a Water statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution. In 2017 the District's voters approved a ballot issue that exempts the District from Revenue limitations. The District has established an emergency reserve of \$1,162 as of December 31, 2017 to comply with Article X, Section 20 of the Colorado Constitution.

Note 9 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District carries commercial insurance for these risks of loss. The District's settled claims have not exceeded its insurance coverage in any of the last three years.

Other Supplementary Information

Blue Valley Metropolitan District
Budgetary vs. Actual Comparison - Non GAAP Basis
For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Service charges	\$ 90,700	\$ 90,887	\$ 187
Other charges and fees	250	2,361	2,111
Connection fees	-	24,000	24,000
Property taxes	75,991	75,991	-
Specific ownership taxes	3,500	5,251	1,751
Interest income	380	716	336
Total Revenues	<u>170,821</u>	<u>199,206</u>	<u>28,385</u>
Expenses			
Water purchases	2,914	2,814	100
Administrative expenses	40,900	23,240	17,660
Utilities	4,750	4,996	(246)
Water meter expense	500	2,716	(2,216)
Water operator costs	28,400	26,547	1,853
Repairs and maintenance	32,500	73,144	(40,644)
Road expenses	37,600	37,454	146
Other expenses	250	650	(400)
County treasurer fees	3,700	3,803	(103)
Debt service	43,000	42,271	729
Capital outlay	25,000	-	25,000
Total Expenses	<u>219,514</u>	<u>217,635</u>	<u>1,879</u>
Revenues over (under) Expenditures	<u>\$ (48,693)</u>	<u>(18,429)</u>	<u>\$ 30,264</u>
Reconciliation to Net Income			
Add Debt Service		40,000	
Less Depreciation Expense		(41,035)	
Net Income		<u>\$ (19,464)</u>	

See the Independent Auditor's Report