

**BUFFALO MOUNTAIN  
METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS  
December 31, 2017**

**E**

**RECEIVED**

Office of the State Auditor

July 24, 2018



**Logan and Associates, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

Independent Auditor's Report	a - b
Management's Discussion and Analysis	i - iv
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Statement of Net Position - Proprietary Fund	5
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	6
Statement of Cash Flows - Proprietary Fund	7
Notes to Financial Statements	8 - 19
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	20
Notes to Required Supplementary Information	21
<b>Supplementary Information</b>	
Budgetary Comparison Schedule - Water and Sewer Utility Fund	22



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Buffalo Mountain Metropolitan District  
Summit County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Buffalo Mountain Metropolitan District as of and for the year ended December 31, 2017, 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 the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and budgetary comparison schedule on pages i – iv and 20 – 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Buffalo Mountain Metropolitan District's basic financial statements. The accompanying budgetary comparison schedule for the water and sewer utility fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule of the water and sewer utility fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule of the water and sewer utility fund is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Logan and Associates, LLC*

Aurora, Colorado  
July 17, 2018

BUFFALO MOUNTAIN METROPOLITAN DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
December 31, 20167

This management's discussion and analysis of the Buffalo Mountain Metropolitan District's financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

#### USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of information on the same statement that present different views of the District:

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- *Fund financial statements* that focus on *individual parts* of the District government, reporting the District's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Additional supplemental information has also been included to enhance the reader's understanding of the financial statements.

#### ***Government-wide Statements***

The government-wide statements consist of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in net position. The District's net position– the difference between assets deferred outflows, and liabilities and deferred inflows – is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District.

#### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant funds – not the District as a whole. The District's only governmental fund, the General Fund, is considered a major fund. Unlike government-wide financial statements, the focus of the fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

*Governmental funds* – The District's activity is reported as a governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. The funds are reported using an accounting method called *modified accrual* accounting,

BUFFALO MOUNTAIN METROPOLITAN DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
December 31, 20167

which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is provided in reconciliations following the fund financial statements.

**THE DISTRICT AS A WHOLE**

***Statement of Net Position***

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's net position for the fiscal years 2017 and 2016.

	2017			2016		
	Governmental Business-Type			Governmental Business-Type		
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>Assets:</u>						
Current Assets	1,987,980	1,370,337	3,358,317	1,688,141	501,551	2,189,692
Investments - Long Term	-	1,443,572	1,443,572	-	2,460,278	2,460,278
Investment in Joint Venture	-	2,289,798	2,289,798	-	2,223,055	2,223,055
Capital Assets, Net	3,611,404	3,803,933	7,415,337	3,786,916	3,228,872	7,015,788
Total Assets	<u>5,599,384</u>	<u>8,907,640</u>	<u>14,507,024</u>	<u>5,475,057</u>	<u>8,413,756</u>	<u>13,888,813</u>
<u>Liabilities and Deferred Inflows:</u>						
Current Liabilities	-	71,773	71,773	-	53,230	53,230
Deferred Inflows	871,689	-	871,689	807,373	-	807,373
Total Liabilities & Deferred Inflows	<u>871,689</u>	<u>71,773</u>	<u>943,462</u>	<u>807,373</u>	<u>53,230</u>	<u>860,603</u>
<u>Net Position:</u>						
Invested in Capital Assets,	3,611,404	3,803,933	7,415,337	3,786,916	3,228,872	7,015,788
Restricted for Emergencies	29,000	-	29,000	28,600	-	28,600
Unrestricted	1,087,291	5,031,934	6,119,225	852,168	5,131,654	5,983,822
Total Net Position	<u>4,727,695</u>	<u>8,835,867</u>	<u>13,563,562</u>	<u>4,667,684</u>	<u>8,360,526</u>	<u>13,028,210</u>

A substantial portion of the District's assets consist of current assets. Additionally, the District has a substantial investment in capital assets but the District has no long-term debt and only has routine current and other liabilities. Accordingly, the District has a substantial net position, the majority of which is invested in capital assets but with a significant portion as unrestricted net position. Total net position increased \$535,352 during 2017 as a result of the District operating at a surplus in the business-type activities.

***Statement of Activities***

The perspective of the Statement of Activities is of the District as a whole. The statement of activities reflects the cost of program expenses and the charges and taxes which are used to offset the cost of those services. The following detail reflects the total cost of services supported by program revenues and general

BUFFALO MOUNTAIN METROPOLITAN DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
December 31, 20167

property taxes, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2017 and 2016.

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<u>Revenues:</u>						
General Revenues:						
Taxes	855,298	-	855,298	849,345	-	849,345
Investment Income	16,924	33,302	50,226	9,711	23,218	32,929
Miscellaneous	550	105,023	105,573	300	219,505	219,805
Program Revenues:						
Charges for Services	2,756	1,453,398	1,456,154	2,256	1,450,130	1,452,386
Grants and Contributions	104,728	133,200	237,928	103,279	43,200	146,479
<b>Total Revenues</b>	<b>980,256</b>	<b>1,724,923</b>	<b>2,705,179</b>	<b>964,891</b>	<b>1,736,053</b>	<b>2,700,944</b>
<u>Program Expenses:</u>						
General Government	182,924	-	182,924	193,528	-	193,528
Public Works	529,413	-	529,413	539,338	-	539,338
Parks and Recreation	207,908	-	207,908	199,961	-	199,961
Water and Sewer Utility	-	1,249,582	1,249,582	-	1,307,466	1,307,466
<b>Total Expenses</b>	<b>920,245</b>	<b>1,249,582</b>	<b>2,169,827</b>	<b>932,827</b>	<b>1,307,466</b>	<b>2,240,293</b>
Change in Net Position	60,011	475,341	535,352	32,064	428,587	460,651
Net Position - beginning of year	4,667,684	8,360,526	13,028,210	4,635,620	7,931,939	12,567,559
Net Position - end of year	4,727,695	8,835,867	13,563,562	4,667,684	8,360,526	13,028,210

The District's two primary sources of revenues are from taxes and from charges for services. These revenues are used to pay the cost of the general government and the cost of the water and sewer utility activities. While the District is currently operating at a surplus, the District is expecting capital replacement expenditures to escalate in future years requiring fee or tax increases to pay the increased costs.

### THE DISTRICT'S FUNDS

The governmental fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. The governmental fund level financial statements are reported on the modified accrual basis of accounting.

At the governmental fund level, under the modified accrual basis of accounting, depreciable assets and their related depreciation expense are not reflected as they are not a current period financial resource or use. In addition, at the governmental fund level, inflows from operating loans are presented as a revenue item while outflows for capital outlay and debt service payments are presented as an expenditure item, as these items represent current period financial resources and uses.

The General Fund ending fund balance increased from \$880,768 to \$1,116,291 during the fiscal year ended December 31, 2017. This represents a surplus of current period revenues (financial uses) over current period expenditures (financial sources). This is primarily the result of the District operating at a surplus in order to accumulate reserves to be invested in maintaining and replacing the District's current road and path

BUFFALO MOUNTAIN METROPOLITAN DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
December 31, 20167

infrastructure in the future. The General Fund generated \$980,256 in revenues and incurred \$744,733 in expenditures during 2017. The ending fund balance in the governmental fund of \$1,116,291 is the amount of net resources available for future spending.

The fund level financial statement for the proprietary fund provides the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position for the Proprietary Fund, excluding the investment in Silverthorne/Dillon Joint Sewer Authority, decreased from \$2,908,599 in 2016 to \$2,742,136 in 2017. This decrease is the result of capital outlay for new water tank improvements which increased the net position invested in capital assets but decreased the unrestricted net position.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 1* of the notes to required supplementary information. The District had no budget amendments during 2017. The major difference in actual expenses compared to budget come from the deferral of capital project expenditures to future years to provide more time to plan and prepare for the projects.

**CAPITAL ASSETS**

During 2017, the District recorded capital asset additions of \$31,173 and depreciation expense in its governmental activities of \$206,685 resulting in a net decrease in capital assets of \$175,512 for buildings and improvements and the pedestrian path. These changes bring the year end net capital asset balance in the governmental activities to \$ 3,611,404. The business-type activities had capital additions of \$774,974 during 2017 for the water and sewer systems. The Business-type Activities recorded depreciation expense of \$199,913, bringing the year end capital asset balance to \$3,803,933. *See Note 4 Capital Assets* for additional details.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the:

Buffalo Mountain Metropolitan District Manager  
P.O. Box 2430  
Silverthorne, CO 80498  
Tel: (970) 513-1300  
Fax: (970) 513-1301

## **BASIC FINANCIAL STATEMENTS**

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<b>ASSETS</b>			
Cash and Investments	\$ 1,088,706	\$ 952,930	\$ 2,041,636
Accounts Receivable	23,842	373,205	397,047
Accounts Receivable - County Treasurer	24,609	-	24,609
Accrued Interest Receivable	-	16,784	16,784
Taxes Receivable	849,725	-	849,725
Prepaid Expenses	1,098	27,130	28,228
Inventory	-	288	288
Investment - Longterm	-	1,443,572	1,443,572
Investment in Silverthorne/Dillon Joint Sewer Authority	-	2,289,798	2,289,798
Capital Assets, Not Being Depreciated	-	501,315	501,315
Capital Assets, Net of Accumulated Depreciation	3,611,404	3,302,618	6,914,022
<b>TOTAL ASSETS</b>	<b>5,599,384</b>	<b>8,907,640</b>	<b>14,507,024</b>
<b>LIABILITIES</b>			
Accounts Payable	-	62,364	62,364
Noncurrent Liabilities			
Due Within One Year	-	9,409	9,409
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>71,773</b>	<b>71,773</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Revenue	871,689	-	871,689
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,611,404	3,803,933	7,415,337
Restricted for Emergencies	29,000	-	29,000
Unrestricted	1,087,291	5,031,934	6,119,225
<b>TOTAL NET POSITION</b>	<b>\$ 4,727,695</b>	<b>\$ 8,835,867</b>	<b>\$ 13,563,562</b>

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

**BUFFALO MOUNTAIN METROPOLITAN DISTRICT**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General Government	\$ 182,924	\$ -	\$ -	\$ -
Public Works	529,413	2,756	95,368	-
Parks and Recreation	207,908	-	9,360	-
Total Governmental Activities	920,245	2,756	104,728	-
<b>Business-Type Activities</b>				
Water and Sewer Utility	1,249,582	1,453,398	-	133,200
Total Business-Type Activities	1,249,582	1,453,398	-	133,200
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,169,827</b>	<b>\$ 1,456,154</b>	<b>\$ 104,728</b>	<b>\$ 133,200</b>

GENERAL REVENUES

Property Taxes  
 Specific Ownership Taxes  
 Investment Income  
 Grant Revenue  
 Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND  
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (182,924)	\$ -	\$ (182,924)
(431,289)	-	(431,289)
(198,548)	-	(198,548)
(812,761)	-	(812,761)
-	337,016	337,016
-	337,016	337,016
(812,761)	337,016	(475,745)
807,288	-	807,288
48,010	-	48,010
16,924	33,302	50,226
-	30,000	30,000
550	75,023	75,573
872,772	138,325	1,011,097
60,011	475,341	535,352
4,667,684	8,360,526	13,028,210
<u>\$ 4,727,695</u>	<u>\$ 8,835,867</u>	<u>\$ 13,563,562</u>

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2017

	GENERAL FUND
<b>ASSETS</b>	
Cash and Investments	\$ 1,088,706
Accounts Receivable	23,842
Accounts Receivable - County Treasurer	24,609
Taxes Receivable	849,725
Prepaid Expenses	1,098
<b>TOTAL ASSETS</b>	<b>\$ 1,987,980</b>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	\$ 871,689
<b>FUND BALANCE</b>	
Nonspendable	1,098
Restricted for Emergencies	29,000
Unassigned	1,086,193
<b>TOTAL FUND BALANCE</b>	<b>1,116,291</b>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 1,987,980</b>

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	\$ 1,116,291
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,611,404
Total Net Position of Governmental Activities	\$ 4,727,695

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
 Year Ended December 31, 2017

	GENERAL FUND
REVENUES	
Taxes	
Property Taxes	\$ 807,288
Specific Ownership Taxes	48,010
Intergovernmental	
Conservation Trust	9,360
County Road and Bridge	95,368
Charges for Services	2,756
Investment Income	16,924
Miscellaneous Income	550
	980,256
 TOTAL REVENUES	 980,256
EXPENDITURES	
Current	
General Government	182,924
Public Works	495,156
Parks and Recreation	35,480
Capital Outlay	31,173
	744,733
 TOTAL EXPENDITURES	 744,733
 NET CHANGE IN FUND BALANCE	 235,523
FUND BALANCE, Beginning	880,768
FUND BALANCE, Ending	\$ 1,116,291

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ 235,523
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$206,685) exceeded capital asset additions \$31,173 in the current year.	(175,512)
Change in Net Position of Governmental Activities	\$ 60,011

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2017

	<u>WATER AND SEWER UTILITY FUND</u>
<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 952,930
Accounts Receivable	373,205
Accrued Interest Receivable	16,784
Prepaid Expenses	27,130
Inventory	288
Total Current Assets	1,370,337
Noncurrent Assets	
Investments - Longterm	1,443,572
Investment in Silverthorne/Dillon Joint Sewer Authority	2,289,798
Capital Assets, Not Being Depreciated	501,315
Capital Assets, Net of Accumulated Depreciation	3,302,618
Total Noncurrent Assets	7,537,303
TOTAL ASSETS	8,907,640
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	62,364
Compensated Absences Payable	9,409
TOTAL LIABILITIES	71,773
<b>NET POSITION</b>	
Invested in Capital Assets	3,803,933
Unrestricted	5,031,934
TOTAL NET POSITION	\$ 8,835,867

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
Year Ended December 31, 2017

	<u>WATER AND SEWER UTILITY FUND</u>
OPERATING REVENUES	
Charges for Services	\$ 1,453,398
Miscellaneous	24,000
	1,477,398
OPERATING EXPENSES	
Water Operations	308,232
Sewer Operations	598,908
Administration and General	142,529
Depreciation	199,913
	1,249,582
OPERATING INCOME	227,816
NON-OPERATING REVENUES	
Investment Income	33,302
Net Income from Joint Sewer Authority	51,023
Grant Revenue	30,000
	114,325
INCOME BEFORE CAPITAL CONTRIBUTIONS	342,141
CAPITAL CONTRIBUTIONS	
Tap Fees	133,200
	475,341
CHANGE IN NET POSITION	475,341
NET POSITION, Beginning	8,360,526
NET POSITION, Ending	\$ 8,835,867

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents  
Year Ended December 31, 2017

	<u>WATER AND SEWER UTILITY FUND</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 1,495,231
Cash Received from Other Sources	24,000
Cash Payments to Employees	(119,767)
Cash Payments to Suppliers	<u>(940,423)</u>
Net Cash Provided by Operating Activities	<u>459,041</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Property, Plant and Equipment	(764,442)
Grant Received	30,000
Tap Fees Received	<u>133,200</u>
Net Cash Used by Capital and Related Financing Activities	<u>(601,242)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale (Purchase) of Investments	1,016,706
Interest Received	<u>28,871</u>
Net Cash Used by Investing Activities	<u>1,045,577</u>
Increase in Cash and Cash Equivalents	903,376
CASH AND CASH EQUIVALENTS, Beginning	<u>49,554</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 952,930</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 227,816
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	199,913
Net Income from Sewer Operations in Joint Sewer Authority	(15,720)
Changes in Assets and Liabilities	
Accounts Receivable	41,833
Prepaid Expenses	(3,026)
Inventory	214
Accounts Payable	4,732
Compensated Absences Payable	<u>3,279</u>
Net Cash Provided by Operating Activities	<u><u>\$ 459,041</u></u>

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Buffalo Mountain Metropolitan District (the "District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Summit County, Colorado. The District was established to provide water and sewer services to the District residents, to maintain roads and road improvements, and to provide and maintain parks and recreational facilities within the District.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the District's more significant policies follows.

**Reporting Entity**

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of this criteria, the District does not include additional organizations in its reporting entity.

**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 activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental Activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the 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 fund and the proprietary fund. Major individual 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and available for use.

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 collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. 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 non-operating revenues and expenses.

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

In the fund financial statements, the District reports the following major governmental fund:

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

The District also reports the following major proprietary fund:

*Water and Sewer Utility Fund* - accounts for all activities necessary for the provision of water and sewer services to the District residents.

**Assets, Liabilities and Net Position/Fund Balance**

*Cash and Investments* – For purposes of reporting in the statement of cash flows, cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value.

*Receivables* - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Prepaid Expenses* - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Net Position/Fund Balance** (Continued)

*Capital Assets* - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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. All infrastructure assets owned by the District, which include water, sewer and drainage systems and trails, have been capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	20 - 30 years
Pedestrian/Bike Path	30 years
Water and Sewer Systems	20 - 40 years
Equipment	5 years

*Compensated Absences* - Employees of the District are allowed to accumulate unused vacation time. Employees will be paid for all accrued vacation time upon separation of employment. These compensated absences are recognized as current salary costs when earned in the proprietary fund. A liability is reported in the business-type activities and proprietary fund financial statements for the accrued compensated absences.

*Net Position* - The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets - This classification reflects the portion of net position that is associated with non-liquid, capital assets less outstanding capital asset related debt.
- Restricted Net Position - This classification includes amounts for which constraints have been placed on net position either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Net Position/Fund Balance** (Continued)

- Unrestricted Net Position – This classification includes the remaining net position that is not restricted or part of the net investment in capital assets.

*Fund Balance Classification* – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- Assigned – This classification includes amounts that are constrained by the District'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 changed than those imposed on committed amounts.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The District has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the District uses restricted fund balance first.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property Taxes**

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis. Since property taxes are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

**Use of Estimates**

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

**Subsequent Events**

The District has evaluated events subsequent to the year ended December 31, 2017 through July 17, 2018, the date of these financial statements were issued, and has incorporated any required recognition into these financial statements.

**NOTE 2: CASH AND INVESTMENTS**

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

Petty Cash	\$ 200
Deposits	2,710,778
Investments	<u>774,230</u>
Total	<b><u>\$ 3,485,208</u></b>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 2,041,636
Investments - Long-term	<u>1,443,572</u>
Total	<b><u>\$ 3,485,208</u></b>

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2017, the District had bank deposits totaling \$2,710,878, of which \$2,460,878 were FDIC insured, and \$250,000 were collateralized with securities held by the financial institutions' agents but not in the District's name.

**Investments**

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments. The District generally limits its concentration of investments to Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, 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 investment 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.

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following.

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments** (Continued)

At December 31, 2017, the District had the following investments:

	<u>Maturity</u>	<u>2017</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 774,230</u>

The District invested in the Colorado 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 share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury 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 the 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 AAA by Standard and Poor's. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**NOTE 3: INVESTMENT IN SILVERTHORNE/DILLON JOINT SEWER AUTHORITY**

The District is a participant in the Silverthorne/Dillon Joint Sewer Authority (the "Authority"). The Authority was organized to construct and operate a sewage treatment plant in Summit County. The other participants are the towns of Silverthorne and Dillon, Dillon Valley Metropolitan District, Mesa Cortina Metropolitan District (all of which are political subdivisions of the State of Colorado) and Yale Investments, Inc. (a Colorado corporation). Oversight responsibilities and control of the Authority is vested in an eight-member committee with two members appointed by each town and one member appointed by each of the other participants. The costs of construction are paid by the participants based on their proportional share of the available capacity in each phase of the project.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 3: INVESTMENT IN SILVERTHORNE/DILLON JOINT SEWER AUTHORITY (Continued)**

The District currently owns 2,188 equivalent residential units or 20.0% of the reserved capacity in the plant. The District's equity ownership in the Authority, based on the Authority's most recent completed audit, December 31, 2017, was 15.88% or \$2,289,798, which is reported in the financial statements as Investment in Silverthorne/Dillon Joint Sewer Authority.

The Authority bills the participants for their proportionate share of operations on a quarterly basis based upon the number of taps connected to the system at a rate to cover operating costs. The District shares in the operating results of the joint venture.

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2017, is summarized below:

	Balances 12/31/2016	Additions	Deletions	Balances 12/31/2017
<b>Governmental Activities:</b>				
Capital Assets, being depreciated				
Buildings and improvements	1,005,560	31,173	-	1,036,733
Pedestrian/Bike path	5,172,834	-	-	5,172,834
Total Capital Assets, being depreciated	<u>6,178,394</u>	<u>31,173</u>	<u>-</u>	<u>6,209,567</u>
Less accumulated depreciation				
Buildings and improvements	(190,291)	(34,257)	-	(224,548)
Pedestrian/Bike path	(2,201,187)	(172,428)	-	(2,373,615)
Total accumulated depreciation	<u>(2,391,478)</u>	<u>(206,685)</u>	<u>-</u>	<u>(2,598,163)</u>
Governmental Activities Capital Assets, net	<u><u>\$ 3,786,916</u></u>	<u><u>\$ (175,512)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,611,404</u></u>

Depreciation expense was charged to the programs of the District as follows:

Governmental Activities	
Public Works	\$ 34,257
Parks and Recreation	<u>172,428</u>
Total	<u><u>\$ 206,685</u></u>

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 4: CAPITAL ASSETS (Continued)**

	<u>Balances</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2017</u>
<b>Business-type Activities:</b>				
Capital Assets, not being depreciated				
Land	\$ 74,742	\$ 235,000	\$ -	\$ 309,742
Water rights	191,573	-	-	191,573
Total Capital Assets, not being depreciated	<u>266,315</u>	<u>235,000</u>	<u>-</u>	<u>501,315</u>
Capital Assets, being depreciated				
Buildings and improvements	1,188,695	31,173	-	1,219,868
Water and Sewer Systems	5,295,106	391,051	-	5,686,157
Equipment	45,951	117,750	-	163,701
Total Capital Assets, being depreciated	<u>6,529,752</u>	<u>539,974</u>	<u>-</u>	<u>7,069,726</u>
Less accumulated depreciation				
Buildings and improvements	(441,790)	(54,171)	-	(495,961)
Water and Sewer Systems	(3,082,567)	(136,742)	-	(3,219,309)
Equipment	(42,838)	(9,000)	-	(51,838)
Total accumulated depreciation	<u>(3,567,195)</u>	<u>(199,913)</u>	<u>-</u>	<u>(3,767,108)</u>
Total Capital Assets, being depreciated, net	<u>2,962,557</u>	<u>340,061</u>	<u>-</u>	<u>3,302,618</u>
Business-type Activities Capital Assets, net	<u><u>\$ 3,228,872</u></u>	<u><u>\$ 575,061</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,803,933</u></u>

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended December 31, 2017:

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-type Activities</b>					
Compensated absences	<u>\$ 6,130</u>	<u>\$ 5,481</u>	<u>\$ 2,202</u>	<u>\$ 9,409</u>	<u>\$ 9,409</u>

Compensated absences are expected to be liquidated with revenues of the Water and Sewer Utility Fund.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 6: MESA CORTINA SUBDIVISION AGREEMENT**

The District has an agreement with Mesa Cortina Water and Sanitation District (MCWSD) to provide water and sewer services to the Mesa Cortina Subdivision (Mesa Cortina). The District receives monthly fees to provide water and sewer transmission service. MCWSD is responsible for the operations and maintenance of Mesa Cortina. The District has agreed to provide water and sewer services to Mesa Cortina in perpetuity. During 2017, the District received \$62,399 in water and sewer fees from Mesa Cortina.

**NOTE 7: RETIREMENT COMMITMENTS**

**Deferred Compensation Plan**

The District has established a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by ICMARC. Eligible employees may participate in the Plan at their option. The District matched 100% of the eligible employees' contributions, up to 3% and 7% of their covered salary. During the year ended December 31, 2017, the District contributed \$7,293 to the Plan.

**NOTE 8: RISK MANAGEMENT**

**Public Entity Risk Pool**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The District plans to provide for or restore the economic damages of those losses through risk transfer. The District participates in the Colorado Special Districts Property and Liability Pool (the "Pool").

The purposes of the Pool are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 8: RISK MANAGEMENT (Continued)**

All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. However, the District has made certain interpretations of the Amendment's language in order to determine compliance. The District's management believes a significant portion of its operations qualifies for the "enterprise" exclusion allowed by the Amendment.

The District has established an emergency reserve, representing 3% of qualifying fiscal year spending, as required by the Amendment. At December 31, 2017, the emergency reserve of \$29,000 was reported as a restriction of fund balance in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Taxes			
Property Taxes	\$ 807,373	\$ 807,288	\$ (85)
Specific Ownership Taxes	40,369	48,010	7,641
Intergovernmental			
Conservation Trust	9,633	9,360	(273)
County Road and Bridge	95,369	95,368	(1)
Charges for Services	3,255	2,756	(499)
Investment Income	1,720	16,924	15,204
Miscellaneous Income	-	550	550
	<u>957,719</u>	<u>980,256</u>	<u>22,537</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General Government	177,848	182,924	(5,076)
Public Works	523,064	495,156	27,908
Parks and Recreation	43,534	35,480	8,054
Capital Outlay	70,000	31,173	38,827
	<u>814,446</u>	<u>744,733</u>	<u>69,713</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCE	143,273	235,523	92,250
FUND BALANCE, Beginning	859,916	880,768	20,852
FUND BALANCE, Ending	<u>\$ 1,003,189</u>	<u>\$ 1,116,291</u>	<u>\$ 113,102</u>

See the accompanying Independent Auditors' Report.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2017

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In October, management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented for the Enterprise Fund are presented on a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

## **SUPPLEMENTARY INFORMATION**

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE

WATER AND SEWER UTILITY FUND

Year Ended December 31, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
<b>REVENUES</b>			
Sewer Service Fees	\$ 886,405	\$ 895,029	\$ 8,624
Water Service Fees	550,779	558,369	7,590
Sewer Tap Fees	28,800	74,160	45,360
Water Tap Fees	19,200	59,040	39,840
Investment Income	14,080	33,302	19,222
Grant Revenue	-	30,000	30,000
Miscellaneous	24,000	24,000	-
<b>TOTAL REVENUES</b>	<u>1,523,264</u>	<u>1,673,900</u>	<u>150,636</u>
<b>EXPENDITURES</b>			
Water Operations	327,185	308,232	18,953
Sewer Operations	665,600	614,628	50,972
Administration and General	137,479	142,529	(5,050)
Capital Outlay	2,254,669	774,974	1,479,695
<b>TOTAL EXPENDITURES</b>	<u>3,384,933</u>	<u>1,840,363</u>	<u>1,544,570</u>
<b>CHANGE IN NET POSITION, Budgetary Basis</b>	<u>\$ (1,861,669)</u>	(166,463)	<u>\$ 1,695,206</u>
<b>ADJUSTMENTS TO GAAP BASIS</b>			
Net Income from Joint Sewer Authority		51,023	
Net Income from Sewer Operation in Joint Sewer Authority		15,720	
Capital Outlay		774,974	
Depreciation		(199,913)	
<b>CHANGE IN NET POSITION, GAAP Basis</b>		475,341	
<b>NET POSITION, Beginning</b>		<u>8,360,526</u>	
<b>NET POSITION, Ending</b>		<u>\$ 8,835,867</u>	

See the accompanying Independent Auditor's Report.