

Blue Mountain Water District

Annual Financial Report

December 31, 2017 and 2016

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Office of the State Auditor

July 31, 2018

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**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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Report of Independent Certified Public Accountants

Members of the Board of Directors
Blue Mountain Water District

We have audited the accompanying financial statements of Blue Mountain Water District as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Blue Mountain Water District, as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Management has omitted the 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 Blue Mountain Water District's financial statements as a whole. The supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information as listed in the table of contents 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 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.



Littleton, Colorado
July 31, 2018

Basic Financial Statements

Blue Mountain Water District
Statements of Net Position
December 31, 2017 and 2016

Assets	2017	2016
Current Assets		
Cash and cash equivalents	\$ 896,881	\$ 833,658
Receivables (net of reserve of \$-0- at December 31, 2017 and 2016)	23,826	23,355
Property taxes receivable - ensuing year	135,112	86,642
Total current assets	<u>1,055,819</u>	<u>943,655</u>
Capital Assets		
Land, rights of way, and water rights	91,386	91,386
Construction in progress	72,247	72,247
Source of supply	420,088	420,088
Water treatment plant	329,331	329,331
Collection, transmission and distribution	495,764	495,764
Equipment	117,244	78,005
	<u>1,526,060</u>	<u>1,486,821</u>
Less accumulated depreciation	(1,228,330)	(1,184,047)
Net capital assets	<u>297,730</u>	<u>302,774</u>
Total assets	<u>\$ 1,353,549</u>	<u>\$ 1,246,429</u>
 Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	10,088	5,530
Total current liabilities	<u>10,088</u>	<u>5,530</u>
Long-Term Liabilities		
Customer deposits	10,620	10,620
Total long-term liabilities	<u>10,620</u>	<u>10,620</u>
Total liabilities	<u>20,708</u>	<u>16,150</u>
Deferred Inflows of Resources		
Deferred taxes receivable - ensuing year	135,112	86,642
Total deferred inflows of resources	<u>135,112</u>	<u>86,642</u>
Net Position		
Net Investment in capital assets	297,730	302,774
Restricted - emergency reserve	5,500	5,500
Unrestricted	894,499	835,363
Total net position	<u>\$ 1,197,729</u>	<u>\$ 1,143,637</u>

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

Blue Mountain Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues		
Water usage	\$ 96,776	\$ 97,493
Standby charges	1,800	1,560
Property taxes assessed for operations	86,521	86,864
Total operating revenues	<u>185,097</u>	<u>185,917</u>
Operating expenses		
Professional fees	11,845	15,950
Insurance	8,031	4,259
Office supplies and expense	1,448	1,792
Operations, repairs and maintenance, tetsing	103,304	91,195
Treasurer's fees	1,299	1,295
Utilities	12,766	12,713
Depreciation	44,283	36,051
Total operating expenses	<u>182,976</u>	<u>163,255</u>
Operating Income	<u>2,121</u>	<u>22,662</u>
Non-operating revenue		
Interest earnings	1,267	885
Tap fees	42,000	40,000
Specific ownership taxes	8,397	6,392
Other income	307	471
Total nonoperating revenues	<u>51,971</u>	<u>47,748</u>
Change in Net Position	54,092	70,410
Net position—beginning of year	<u>1,143,637</u>	<u>1,073,227</u>
Net position—end of year	<u>\$ 1,197,729</u>	<u>\$ 1,143,637</u>

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

Blue Mountain Water District
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from customers	\$ 98,105	\$ 96,920
Cash paid to suppliers and others	(134,135)	(132,387)
Receipts of property taxes assessed for operations - net	<u>86,521</u>	<u>86,864</u>
Net cash from operating activities	<u>50,491</u>	<u>51,397</u>
Cash flows from capital and related financing activities		
Specific ownership taxes	8,397	6,392
Additions to property and equipment	(39,239)	-
Tap fee income	42,000	40,000
Other income	<u>307</u>	<u>471</u>
Net cash from capital and related financing activities	<u>11,465</u>	<u>46,863</u>
Cash flows from investing activities		
Interest on investments	<u>1,267</u>	<u>885</u>
Net cash from investing activities	<u>1,267</u>	<u>885</u>
Net change in cash and cash equivalents	63,223	99,145
Cash and cash equivalents—beginning of year	<u>833,658</u>	<u>734,513</u>
Cash and cash equivalents—end of year	<u>\$ 896,881</u>	<u>\$ 833,658</u>
Reconciliation of operating loss to net cash from operating activities		
Operating income	\$ 2,121	\$ 22,662
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	44,283	36,051
Change in accounts receivable	(471)	(2,133)
Change in accounts payable	<u>4,558</u>	<u>(5,183)</u>
Net cash from operating activities	<u>\$ 50,491</u>	<u>\$ 51,397</u>

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

Blue Mountain Water District

Notes to Basic Financial Statements

December 31, 2017 and 2016

1. Organization

Organization

Blue Mountain Water District (the District) is a quasi-municipal corporation and political subdivision of the State of Colorado. It was organized on August 16, 1977, to provide complete water services to inhabitants of the District. It has an elected board of directors. The District derives its revenue principally from water sales and property taxes.

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 has no employees and all operations and administrative functions are contracted.

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

2. Significant Accounting Policies

General Accounting Policies

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

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District follows Governmental Accounting Standards Board pronouncements.

Blue Mountain Water District
Notes to Basic Financial Statements (continued)
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets. Tap fees are recorded as capital contributions when received.

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.

Operating revenues and expenses

The District distinguishes between operating revenues and expenses and non- operating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings 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.

Cash equivalents

For purposes of the Statement 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.

Capital assets

The District defines capital assets as assets with an initial, individual cost of more than \$2,500. Capital assets are recorded at cost except for those assets which have been contributed, which are stated at estimated fair market value at the date of contribution or at developer's cost. Depreciation expense has been computed using the straight- line method over the estimated economic useful lives of 5 to 40 years, and is charged to operating expenses.

Blue Mountain Water District
Notes to Basic Financial Statements (continued)
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Property taxes

Property taxes are levied by the District 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 normally 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 taxpayers' 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, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Blue Mountain Water District management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows of resources and disclosure of contingent assets, liabilities and deferred inflows of resources 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.

Contributed capital

Tap fees are generally recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developer's cost.

Blue Mountain Water District
Notes to Basic Financial Statements (continued)
December 31, 2017 and 2016

3. Cash and Investments

Cash and investments are reflected on the December 31, 2017 and 2016 Statements of Net Position as follows:

	2017	2016
Cash and cash equivalents	\$ 896,881	\$ 833,658
	\$ 896,881	\$ 833,658

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, 2017 and 2016, the federal insurance limits were \$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 equal to 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 has not adopted a deposit policy for custodial credit risk. At December 31, 2017, the District had \$654,509 and \$646,881 uninsured, collateralized bank balance and book balance, respectively. At December 31, 2016, the District had \$585,773 and \$583,658 uninsured, collateralized bank balance and book balance, respectively.

At December 31, 2017 and 2016, the District's cash deposits had a carrying balance and a bank balance as follows:

	2017		2016	
	Bank Balance	Book Balance	Bank Balance	Book Balance
Total bank balances	\$ 904,509	\$ 896,881	\$ 835,773	\$ 833,658

Blue Mountain Water District
Notes to Basic Financial Statements (continued)
December 31, 2017 and 2016

3. Cash and Investments (continued)

Investments

Credit Risk

The District has not adopted a formal investment policy regarding credit risk; however, the District follows state statutes regarding investments.

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

The local government investment pools, which generally include the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (COLOTRUST) are both rated AAAM by Standard and Poor's. CSAFE records its investments at amortized cost and COLOTRUST records its investments at net asset value.

Interest rate risk

The District follows state statutes regarding interest rate risk for investments. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2017 and 2016, the District had no investments.

Blue Mountain Water District
Notes to Basic Financial Statements (continued)
December 31, 2017 and 2016

4. Property, Plant and Equipment

In accordance with the policy established by the Board of Directors, the District capitalizes items with a useful life greater than one year. An analysis of the changes in property and equipment for the year ended December 31, 2017 follows:

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017
Assets				
Land, right of way, and water rights	\$ 91,386	\$ -	\$ -	\$ 91,386
Construction in progress	72,247	-	-	72,247
Sources of supply	420,088	-	-	420,088
Water treatment plant	329,331	-	-	329,331
Collection, transmission, and distribution system	495,764	-	-	-
Equipment	<u>78,005</u>	<u>39,239</u>	-	<u>117,244</u>
Total capital assets	<u>1,486,821</u>	<u>39,239</u>	-	<u>1,526,060</u>
Less: Accumulated depreciation	<u>(1,184,047)</u>	<u>(44,283)</u>	-	<u>(1,228,330)</u>
Capital assets, net	<u>\$ 302,774</u>	<u>\$ (5,044)</u>	<u>\$ -</u>	<u>\$ 297,730</u>

5. 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. As of December 31, 2017 and 2016, the District had invested in capital assets of \$297,730 and \$302,774, respectively.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2017 and 2016 the District had restricted net position of \$5,500.

The District's unrestricted net position as of December 31, 2017 is \$894,499. As of December 31, 2016, the District's unrestricted net position was \$835,363.

Blue Mountain Water District
Notes to Basic Financial Statements (continued)
December 31, 2017 and 2016

6. General Obligation Bonds

No general obligation bonds were outstanding at December 31, 2017 and 2016. The District has no authorized, unissued debt.

7. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors and omissions; injuries to personnel, or natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' 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 and public officials. 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.

9. Tax Spending and Debt Limitation

The District is subject to Article X, Section 20 of the Colorado State Constitution (The TABOR Amendment) which limits state and local taxing powers and imposes spending limits. The complicated amendment is subject to many interpretations until litigation defines specific application. The District, through its board of directors, its management, and its professional advisors, has made a good faith effort to interpret the provisions of the amendment, and it believes that it is in compliance with those provisions according to such good faith interpretation. In November 1995, the voters of the District approved retaining and spending the revenues and other funds collected from any and all fee services and grants without any other condition or limitation under Article X, Section 20 of the Colorado State Constitution.

The TABOR Amendment 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 has reserved \$5,500 net position in compliance with this requirement.

Supplementary Information

Blue Mountain Water District
Statement of Revenues, Expenditures, and Changes in Fund Available
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenue			
Water usage	\$ 100,000	\$ 96,776	\$ (3,224)
Property taxes	86,643	86,521	(122)
Standby charges	1,440	1,800	360
Tap Fees	21,000	42,000	21,000
Specific ownership	7,200	8,397	1,197
Interest earnings	1,000	1,267	267
Other	<u>180</u>	<u>307</u>	<u>127</u>
Total revenue	<u>217,463</u>	<u>237,068</u>	<u>19,605</u>
Expenditures			
Professional fees	13,000	11,845	1,155
Insurance	4,500	8,031	(3,531)
Office supplies and expense	2,200	1,448	752
Operations, repairs and maintenance, tetsing	97,380	103,304	(5,924)
Treasurer's fees	1,300	1,299	1
Utilities	14,200	12,766	1,434
Capital improvements	<u>83,099</u>	<u>39,239</u>	<u>43,860</u>
Total expenditures	<u>215,679</u>	<u>177,932</u>	<u>37,747</u>
Excess of revenue over (under) expenditures	<u>1,784</u>	<u>\$ 59,136</u>	<u>\$ 57,352</u>
Beginning funds available	<u>811,922</u>		
Ending funds available	<u>\$ 813,706</u>		
Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP)			
Excess of revenues over expenditures, budgetary basis		\$ 59,136	
Adjustments			
Expenses which are not expenditures for budgetary purposes			
Depreciation		(44,283)	
Expenditures for budgetary purposes			
Capital outlay		<u>39,239</u>	
Net income (GAAP basis)		<u>\$ 54,092</u>	

Blue Mountain Water District
Summary of Assessed Valuation, Mill Levy
and Property Taxes Collected
December 31, 2017

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills levied for General Fund	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2013	\$ 4,640,539	18.671	\$ 86,644	\$ 88,468	102.1%
2014	\$ 4,461,429	19.420	\$ 86,641	\$ 86,173	99.5%
2015	\$ 4,463,492	19.411	\$ 86,641	\$ 86,415	99.7%
2016	\$ 5,692,793	15.220	\$ 86,642	\$ 86,864	100.3%
2017	\$ 5,668,336	15.285	\$ 86,642	\$ 86,521	99.9%
Estimated for the year ending December 31, 2018	\$ 6,302,897	21.436	\$ 135,112		