



BUTTERMILK METROPOLITAN DISTRICT
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 19, 2019

To the Board of Directors
Buttermilk Metropolitan District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Buttermilk Metropolitan District (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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 Buttermilk Metropolitan District as of December 31, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Directors
Buttermilk Metropolitan District
Page Two

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The proprietary fund budgetary comparison schedule and property tax schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The proprietary fund budgetary comparison schedule 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 proprietary fund budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The property tax schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Chadwick, Steinkirchner, Davis & Co., P.C.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

The Buttermilk Metropolitan District (the "District") was approved by voters on November 7, 2000, and formally organized by judicial decree on August 23, 2001 for the purpose of providing certain public infrastructure and municipal services for the benefit of the residents and property owners within the District. The District is located within Pitkin County, Colorado. The District serves the West Buttermilk Subdivision and Pfister tracts, which are both adjacent to the Buttermilk Ski Area, as well as the East Owl Creek Ranch and Owl Creek Ranch subdivisions. These areas include a mix of existing homes and vacant lots.

The management's discussion and analysis of the Buttermilk Metropolitan District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and the auditor's notes to enhance the reader's understanding of the District's overall financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2018 are as follows:

- In total, the District's overall net position increased by \$164,779, or 6.2% higher than the prior fiscal year. The Statement of Net Position can be found on page 10 of this report, and the Change in Net Position from 2017 to 2018 can be seen in the Statement of Activities on page 11.
- Total revenues increased by \$30,308 or 3.5%, from the prior fiscal year. This is primarily due to a minimal increase in property tax revenue from increased property values while maintaining the water and road mill levies flat. The summarized Statement of Activities can be found on page 11 of the financial statements.
- Overall expenses in 2018 increased by \$99,094 or 16.0%, compared to 2017. This is primarily due to the increase in purchased water during the drought in the summer of 2018 and low snow/run-off in the 17/18 snow season.

USING THE BASIC FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the District's *overall* financial status.
- The remaining statements are *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* (beginning on page 19) that explain some of the information in the financial statements and provide more detailed data. The statements are followed by *supplementary information* (page 31) that further explains and supports the information in the financial statements. Additional other information (page 32) has also been included to enhance the reader's understanding of the financial statements.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

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, liabilities, and deferred inflows of resources 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 considered regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. The District's net position – the difference between assets and liabilities and deferred inflows of resources – are one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net position are 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.

In the Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities:

- *Governmental activities* – The activity of the District's Road Fund is reported here, including interest and principal paid on outstanding bonds. Property taxes, specific ownership taxes, and interest income finance most of these activities.
- *Business-type activities* – The activity of the District's Water Enterprise is reported here, including interest and principal paid on outstanding bonds. Property taxes, specific ownership taxes, water usage charges, and interest income finance most of these activities.

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 funds – governmental and proprietary – use different accounting approaches.

Governmental fund – The General (Road) Fund's activity is reported as a governmental fund, which focuses on how money flows into and out of this fund, and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. A description of 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 a reconciliation at the bottom of the fund financial statements (see pages 12 and 14).

Proprietary funds – When the Enterprise (Water) Fund charges users for the services it provides, these services are reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise fund is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Both the governmental activities (Road Fund) and the business-type activities (Water Fund) are presented, along with a total of the two, which represents the total primary government. Following is a summary of the District's net position for the fiscal year 2018 compared to 2017.

<i>INTHOUSANDS</i>	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2018	2017	2018	2017	2018	2017
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
ASSETS:						
Current & Other Assets	\$ 307	\$ 322	\$ 951	\$ 996	\$ 1,258	\$ 1,318
Capital Assets, Net	657	587	2,677	2,766	3,334	3,353
Total Assets	<u>964</u>	<u>909</u>	<u>3,628</u>	<u>3,762</u>	<u>4,592</u>	<u>4,671</u>
LIABILITIES:						
Current & Other Liabilities	22	22	25	15	47	37
Long-term Debt - Current	68	66	257	249	325	315
Long-term Debt - Non-current	149	220	558	825	707	1,045
Total Liabilities	<u>239</u>	<u>308</u>	<u>840</u>	<u>1,089</u>	<u>1,079</u>	<u>1,397</u>
DEFERRED INFLOWS OF RESOURCES:						
Property Taxes	253	183	424	421	677	604
NET POSITION:						
Net Investment in Capital Assets	439	301	1,863	1,692	2,302	1,993
Restricted for Emergencies	4	3	5	5	9	8
Unrestricted	29	114	496	555	525	669
Total Net Position	<u>\$ 472</u>	<u>\$ 418</u>	<u>\$ 2,364</u>	<u>\$ 2,252</u>	<u>\$ 2,836</u>	<u>\$ 2,670</u>

Total Assets decreased by \$78,567 from 2017 to 2018 or 1.7%, primarily due to decreases in accounts receivable, and capital assets, net of depreciation and amortization.

Total Liabilities decreased by \$316,764 from 2017 to 2018, primarily due to decreases in bond debt.

Deferred Inflows of Resources increased by \$73,417 from 2017 to 2018 (property taxes assessed, which are expected to be received in 2019).

**BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018**

Total Net Position for the District reflects an overall increase of approximately \$164,779 or 6.2% from 2017 to 2018. This is due to a \$53,464 increase in net position in Governmental Activities (Road Fund) and \$111,315 increase in net position in the Business-type Activities (Water Fund). The amount reported as *Net Investment in Capital Assets* is computed by adding Capital Asset costs (net of depreciation and amortization) and subtracting the outstanding bonds that were used to purchase the capital improvements.

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The Statement of Activities reflects general property taxes and service revenues, and the cost of providing services to the District. The following summary reflects the overall change in net position for the fiscal year 2018 compared to 2017:

<i>IN THOUSANDS</i>	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
REVENUES:						
Charges for Services	\$ -	\$ -	\$ 239	\$ 216	\$ 239	\$ 216
Property & Ownership Taxes	189	180	434	442	623	622
Interest Earnings & Other	7	7	15	9	22	16
Total Revenues	<u>196</u>	<u>187</u>	<u>688</u>	<u>667</u>	<u>884</u>	<u>854</u>
EXPENSES:						
General government	136	154	-	-	136	154
Interest & Fiscal Charges	7	8	-	-	7	8
Water	-	-	577	458	577	458
Total Expenses	<u>143</u>	<u>162</u>	<u>577</u>	<u>458</u>	<u>720</u>	<u>620</u>
CHANGE IN NET POSITION	<u>\$ 53</u>	<u>\$ 25</u>	<u>\$ 111</u>	<u>\$ 209</u>	<u>\$ 164</u>	<u>\$ 234</u>

Overall revenues increased by approximately \$30,308 or 3.5%, from 2017 to 2018. This is primarily due to increases in charges for services (metered water) and increases in interest income received on business-type activities fund balances (water fund).

Overall expenses in 2018 increased by approximately \$99,094 or 16.0% compared to 2017. This is primarily due to capital outlay in both funds, however mostly in the business-type activities (Water Fund) related to capital projects in 2018 that were not as expansive compared to 2017.

Governmental Activities

The operation of the Road Fund is defined as the governmental activity of the District. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

The dependence on taxes and other general revenues to fund current program costs is apparent from the foregoing table. The residential community, as a whole, is the primary support for the District's governmental activities.

Business-Type Activities

The operations of the Water Fund are defined as the business-type activity of the District. Operations are supported by property taxes, water fees for usage, and other general revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental (Road) Fund *(see pages 6, 13, & 15 of this report for the following analysis)*

Gross General Fund (Road Fund) revenues were \$196,535 in 2018, which reflects \$189,428 from property taxes and specific ownership taxes net of property tax abatements.

For the following comparison between 2017 and 2018, see specifically pages 13 of this report. General Fund (Road Fund) expenditures of \$282,237 in 2018 reflect an increase of \$82,666 over the 2017 total expenditures of \$199,571. As of the end of 2018, the District's governmental fund reported an ending fund balance of \$32,835, reflecting a decrease of \$85,702 or 72.3%, over the 2017 fund balance. This decrease in the fund balance is a result from realizing less revenues than expenditures in 2018. The ending fund balance of \$32,835, (shown on page 13) is the amount of net resources available for future spending in the Road (Governmental) Fund.

Proprietary (Water) Fund *(see pages 6, 16, 17, 18, & 31 of this report for the following analysis)*

The ending net position of the Proprietary (Water) Fund increased to \$2,364,079 from \$2,252,764 (for a total increase of \$111,315) during the fiscal year ending December 31, 2018, primarily due to total liabilities decreasing more than total assets. Total liabilities decreased \$248,340 versus total assets decrease of \$133,954, a difference of \$114,386, less the increase in deferred inflows of \$3,071 accounts for the net increase in Net Position of \$111,315.

For the following comparison between 2017 and 2018, see specifically pages 6 and 17 of this report. In the Proprietary Fund, total operating revenues from water usage charges were \$237,728, an increase of \$22,637, compared to 2017. This is due to increased water usage and tier 2 rates increased by the City of Aspen during Stage II Water Restrictions from the drought in 2018. Non-operating revenues, consisting of property and specific ownership taxes, and interest income decreased by \$1,604 from \$451,222 in 2017 to \$449,618 in 2018.

The Proprietary Fund's operating expenses (excluding depreciation, amortization, bad debt, and capital outlay) totaled \$324,328 in 2018, reflecting an increase of \$37,832 or 13.2% over 2017, primarily due to increases in the costs associated with purchased water. Other operating expenses increased, consisting of capital outlay, which increased by \$82,025. The Proprietary Fund Statement of Cash Flows (page 18) indicates an ending cash balance of \$515,987 is available for future spending in the Proprietary (Water) Fund.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

BUDGET VARIANCES

Governmental (Road) Fund

Total revenues in the Road Fund are over budget by \$2,024 primarily due more than anticipated specific ownership tax and interest income. Total expenditures in 2018 were \$282,237 and under budget by 11.8% or \$37,898, with budget savings realized in all expense categories with the exception of accounting and auditing and treasurer fees. A budget-to-actual statement for the General Fund can be found on page 15 of this report.

Proprietary (Water) Fund

Water service charges (revenues) totaled \$237,728 or 19.7% more than budgeted, due to an increase in water usage caused by the drought in 2018. In addition to water service charges, miscellaneous income brought in \$711. Non-operating revenues (consisting of property taxes, specific ownership taxes, and interest income) exceeded budget by \$8,493 primarily due to an excess of interest income and specific ownership taxes. Overall, Proprietary Fund revenues – operating plus non-operating – came in over budget expectations by \$47,309 or 7.4%. Operating and non-operating expenses, as a whole, came in over budget by \$47,309 or 7.4%. Budget variances occurred in operations and maintenance expense for \$60,818, accounting and auditing for \$805, and capital outlay for \$41,765. Budget savings were realized in the areas of management fees, legal, insurance, engineering, contingency and all non-operating expenses with the exception of capital outlay. A summary of budget to actual expenses for the Proprietary Fund can be found on page 31 of this report.

CAPITAL ASSETS

The District's net capital assets decreased by \$88,384 in business-type activities (water system) and increased by \$70,100 in governmental activities (road system). The decrease in the business-type activities (water system) were due to more current-year depreciation than capital additions for 2018 and the opposite for the governmental activities (road system), where additions were greater than current year depreciation. Additional information as well as detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page 27 of this report.

DEBT ADMINISTRATION

As of December 31, 2018, the District has \$1,032,233 in General Obligation Bonds, of which \$217,312 is carried in governmental activities (Road Fund) and \$814,921 is carried in the business-type activities (Water Fund) of the District. The original bonds were issued in 2002 to finance the construction of a potable water system and accompanying road improvements; and were refinanced in 2011. Debt service payments, due June 1st and December 1st, are allocated in the same proportions as the bond principal. The final maturity date is December 1, 2021. For a detailed discussion on the bond refinancing, see Note D, beginning on page 28 of this report.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

REQUEST FOR INFORMATION

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:

Buttermilk Metropolitan District Manager
c/o The Romero Group, LLC
350 Market Street, Suite 304, PO Box 4100
Basalt, CO 81621-4100
Telephone: (970) 273-3100
Fax: (970) 797-1851

Buttermilk Metropolitan District
STATEMENT OF NET POSITION

December 31, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Equity in pooled cash and investments	\$ 50,562	\$ 515,987	\$ 566,549
Receivables			
Accounts receivable	937	4,625	5,562
Property taxes	253,104	423,726	676,830
Prepaid expenses	2,752	6,421	9,173
Capital assets (net of accumulated depreciation)			
Capital assets	656,751	2,677,486	3,334,237
Other assets (net of accumulated amortization)			
Organization costs	-	-	-
Total Assets	<u>964,106</u>	<u>3,628,245</u>	<u>4,592,351</u>
LIABILITIES			
Accounts payable	21,416	23,113	44,529
Accrued interest payable	640	2,406	3,046
Non-current liabilities, due within one year			
Bonds payable	68,421	256,579	325,000
Non-current liabilities, due after one year			
Bonds payable and bond premium	148,891	558,342	707,233
Total Liabilities	<u>239,368</u>	<u>840,440</u>	<u>1,079,808</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	253,104	423,726	676,830
Total Deferred Inflows of Resources	<u>253,104</u>	<u>423,726</u>	<u>676,830</u>
NET POSITION			
Net investment in capital assets	439,439	1,862,565	2,302,004
Restricted for emergencies	3,630	5,012	8,642
Unrestricted	28,565	496,502	525,067
Total Net Position	<u>\$ 471,634</u>	<u>\$ 2,364,079</u>	<u>\$ 2,835,713</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 136,432	\$ -	\$ -	\$ -	\$ (136,432)	\$ -	\$ (136,432)
Interest on long-term debt	6,639	-	-	-	(6,639)	-	(6,639)
Total governmental activities	<u>143,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,071)</u>	<u>-</u>	<u>(143,071)</u>
Business-type activities:							
Water	576,742	238,439	-	-		(338,303)	(338,303)
Total business-type activities	<u>576,742</u>	<u>238,439</u>	<u>-</u>	<u>-</u>		<u>(338,303)</u>	<u>(338,303)</u>
Total	<u>\$ 719,813</u>	<u>\$ 238,439</u>	<u>\$ -</u>	<u>\$ -</u>	(143,071)	(338,303)	(481,374)
General revenues:							
					189,428	434,445	623,873
					2,107	15,173	17,280
					5,000	-	5,000
					<u>196,535</u>	<u>449,618</u>	<u>646,153</u>
					53,464	111,315	164,779
					418,170	2,252,764	2,670,934
					<u>\$ 471,634</u>	<u>\$ 2,364,079</u>	<u>\$ 2,835,713</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2018

	General	Total Governmental Funds
ASSETS		
Equity in pooled cash and investments	\$ 50,562	\$ 50,562
Receivables		
Accounts receivable	937	937
Property taxes	253,104	253,104
Prepaid expenses	2,752	2,752
Total Assets	<u>307,355</u>	<u>307,355</u>
LIABILITIES		
Accounts payable	21,416	21,416
Total Liabilities	<u>21,416</u>	<u>21,416</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes	253,104	253,104
Total Deferred Inflows of Resources	<u>253,104</u>	<u>253,104</u>
FUND EQUITY		
Nonspendable	2,752	2,752
Restricted for emergencies	3,630	3,630
Unassigned	26,453	26,453
Total Fund Equity	<u>\$ 32,835</u>	<u>\$ 32,835</u>
Fund equity (as reported above)		\$ 32,835
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets, net of accumulated depreciation, are not financial resources, and therefore, are not reported in the fund.		656,751
Long-term debt is not due and payable in the current period, and therefore, is not reported in the fund.		(217,312)
Accrued interest is not due and payable in the current period, and therefore, is not reported in the fund.		<u>(640)</u>
Net position of governmental activities		<u>\$ 471,634</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

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

Year ended December 31, 2018

	General	Total Governmental Funds
Revenues		
Taxes	\$ 189,428	\$ 189,428
Interest	2,107	2,107
Miscellaneous	5,000	5,000
Total revenues	<u>196,535</u>	<u>196,535</u>
Expenditures		
General government	97,773	97,773
Debt service		
Principal	66,150	66,150
Interest	9,389	9,389
Capital outlay	108,925	108,925
Total expenditures	<u>282,237</u>	<u>282,237</u>
Excess of Revenues Over (Under) Expenditures	(85,702)	(85,702)
Fund Balance - beginning	118,537	118,537
Fund Balance - ending	<u>\$ 32,835</u>	<u>\$ 32,835</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2018

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

Net Change in Fund Balances - Governmental Funds \$ (85,702)

Governmental funds do not report capital outlays as expenditures; however, in the Statement
of Activities, the cost of those assets is allocated over their estimated useful lives as
depreciation. This is the amount by which current year capitalized capital outlay was
more than current year depreciation. (\$101,735-\$31,635) 70,100

Governmental funds report bond premium proceeds as an increase in fund balance. In the
Statement of Net Position, the premium increases long-term debt and its amortization
reduces interest expense in the Statement of Activities over the life of the bonds issued. 2,613

Change in accrued interest on long-term debt is not recorded in the funds. 137

Governmental funds report principal payments on long-term debt as reductions in fund
balance. These payments reduce long-term debt in the Statement of Net Position. 66,316

Change in net position of governmental activities \$ 53,464

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 182,758	\$ 182,758	\$ -
Specific ownership taxes	5,483	6,670	1,187
Interest earnings	1,270	2,107	837
Miscellaneous income	5,000	5,000	-
Total revenues	<u>194,511</u>	<u>196,535</u>	<u>2,024</u>
Expenditures			
Management fees and office	12,090	10,533	1,557
Accounting and auditing	7,500	7,845	(345)
Engineering	3,000	628	2,372
Insurance	2,943	2,853	90
Legal	1,950	286	1,664
Repairs and maintenance	77,950	65,844	12,106
Treasurer fees	9,137	9,157	(20)
Miscellaneous	990	627	363
Interest expense	9,390	9,389	1
Debt service principal	66,150	66,150	-
Contingency	12,215	-	12,215
Capital outlay	116,820	108,925	7,895
Total expenditures	<u>320,135</u>	<u>282,237</u>	<u>37,898</u>
Excess of Revenues Over (Under) Expenditures	(125,624)	(85,702)	39,922
Fund balance, beginning	<u>125,624</u>	<u>118,537</u>	<u>(7,087)</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 32,835</u>	<u>\$ 32,835</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF NET POSITION - PROPRIETARY FUND

December 31, 2018

ASSETS			
Current assets			
Cash and investments		\$	515,987
Receivables			
Accounts receivable			4,625
Property taxes			423,726
Prepaid expenses			6,421
	Total current assets		<u>950,759</u>
Noncurrent assets			
Organization costs, net of amortization			-
Capital assets, net of depreciation			2,677,486
	Total assets		<u>3,628,245</u>
LIABILITIES			
Current liabilities			
Accounts payable			23,113
Accrued interest payable			2,406
Current portion of bonds payable			256,579
	Total current liabilities		<u>282,098</u>
Bonds payable, less current portion			558,342
	Total liabilities		<u>840,440</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes			423,726
	Total deferred inflows of resources		<u>423,726</u>
NET POSITION			
Net investment in capital assets			1,862,565
Restricted for emergencies			5,012
Unrestricted			496,502
	Total net position	\$	<u><u>2,364,079</u></u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF REVENUE, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND

Year ended December 31, 2018

	Business-type Activities- Enterprise Fund
Operating revenues	
Water service charges	\$ 237,728
Miscellaneous income	711
Total operating revenues	238,439
Operating expenses	
Operations and maintenance	87,155
Depreciation and amortization	106,162
Management fees	30,692
Accounting	18,305
Water quality testing	4,204
Utilities	18,827
Legal fees	1,539
Water augmentation	152,877
Insurance	6,658
Miscellaneous expenses	4,071
Capital outlay	100,487
Total operating expenses	530,977
Operating income (loss)	(292,538)
Nonoperating revenues (expenses)	
Taxes	434,445
Interest income	15,173
Treasurer fees	(20,986)
Interest expense	(24,779)
Total nonoperating revenues (expenses)	403,853
Income (loss) before contributions	111,315
Change in net position	111,315
Net position - beginning	2,252,764
Net position - ending	\$ 2,364,079

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

Year ended December 31, 2018

	Business-type Activities- Enterprise Fund
Cash flows from operating activities	
Cash received from customers and users	\$ 240,701
Cash paid to suppliers	(416,134)
Other miscellaneous receipts	711
Net cash provided (used) by operating activities	(174,722)
Cash flows from non-capital financing activities	
Property taxes	434,445
Treasurer fees	(20,986)
Net cash provided (used) by non-capital financing activities	413,459
Cash flows from capital and related financing activities	
Interest paid	(35,096)
Purchase of capital assets	(17,778)
Principal payments on long-term debt	(248,684)
Net cash provided (used) by capital and related financing activities	(301,558)
Cash flow from investing activities	
Investment income received	15,173
Net cash provided (used) by investing activities	15,173
Net increase (decrease) in cash	(47,648)
Cash - beginning	563,635
Cash - ending	\$ 515,987
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (292,538)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	106,162
(Increase) decrease in accounts receivable	2,973
(Increase) decrease in prepaid expenses	(1,980)
Increase (decrease) in accounts payable	10,661
Total adjustments	117,816
Net cash provided (used) by operating activities	\$ (174,722)

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Buttermilk Metropolitan District (the “District”) was approved by voters on November 7, 2000, and formally organized by judicial decree on August 23, 2001. The District is a quasi-municipal corporation and political subdivision of the State of Colorado organized pursuant to the requirements of the Special District Act. The District was formed to provide certain public infrastructure and municipal services for the benefit of the residents and property owners within the District. The District is located within Pitkin County, Colorado. The District serves the West Buttermilk Subdivision, Eagle Pines, and the Pfister tracts, which are adjacent to the Buttermilk Ski Area, as well as East Owl Creek Ranch and Owl Creek Ranch. These areas include a mix of existing homes and vacant lots. The governing body of the District is elected by the registered voters within the District and consists of a five-member board of directors. The District has no employees and all operations and administrative functions are contracted.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (“GAAP”) 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 more significant of the District’s accounting policies are described below.

2. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if 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. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Currently, the District has governmental and business-type activities.

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets, deferred outflows of resources, and receivables as well as long-term debts, deferred inflows of resources, and obligations. The District's net position is reported as net investment in capital assets; restricted for emergencies; and, unrestricted.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

4. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District currently has one General Fund, which is a governmental fund, and one Water Fund, which is a proprietary fund.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference among governmental fund assets, deferred outflows, liabilities, and deferred inflows is reported as fund balance.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The District reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The General Fund fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Proprietary Fund

Enterprise Fund – The Enterprise Fund accounts for operations that are financed and operated in a manner where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the District has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Operating revenues and expenses for enterprise funds are those that result from providing services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

5. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial resources focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days of year-end. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

The accrual basis of accounting is utilized in the proprietary fund type. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense and expenditures for property and equipment are shown as increases in assets.

6. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

7. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

In the fall of each year, the District’s Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with generally accepted accounting principles (“GAAP”). The budget for the proprietary fund is adopted on the budgetary basis of accounting, which differs from the GAAP basis in that depreciation and amortization are excluded from expenditures, and outlays for the acquisition of capital assets and debt service principal are included as expenditures.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

As required by Colorado statutes, the District followed the timetable below in approving and enacting the budgets for the ensuing year:

- (1) For the 2018 budget year, prior to August 25, 2017, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2017, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2018 budget, prior to December 15, 2017, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2018 budget, the final budget and appropriating resolution was adopted prior to December 31, 2017.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

The District did not have any supplemental appropriations for 2018.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year-end.

Buttermilk Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the Government-wide Financial Statements. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed. The District's capitalization policy is \$5,000.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Estimated Lives</u>
Road system	10 to 40 years
Water system	5 to 40 years

9. Property Taxes

Property taxes for 2018, collectible in 2019, were certified by the Pitkin County Commissioners before December 31, 2018. Property taxes attached as an enforceable lien on January 1, 2019 and are due in total April 30, 2019 or in equal installments February 28, 2019 and June 15, 2019, at the option of the taxpayer. Property taxes for 2018, collectible in 2019, are shown as property taxes receivable and deferred inflows of resources on the statement of net position in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District.

10. Accounts Receivable

The District considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

11. Organization Costs

Organization costs are amortized using the straight-line method over 15 years.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Fund Equity

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements classifications on the following page describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B – CASH AND INVESTMENTS

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position as "Equity in pooled cash and investments."

Deposits

At year-end, the carrying amount of the District's cash deposits was \$25,819 and the bank balance was \$25,823. The bank balance was covered by federal depository insurance.

Statutes require that any public depository which accepts and holds public funds maintain, as security for public deposits accepted and held by it, not insured by federal depository insurance, eligible collateral having a market value, at all times, equal to at least 102 percent of the amount of public deposits. Banking institutions are monitored by the State of Colorado Banking Commission and must report monthly on all public deposits held. Pledged collateral must be held in joint custody of the bank and of the Public Deposit Protection Act in a safekeeping account held by a third party, usually the Federal Reserve Bank. The pledged collateral cannot be released unless approval is obtained by the banking commission. Savings and Loan institutions are monitored by the State of Colorado Commissioner of Savings and Loan Associations and must report quarterly on all public deposits held. Pledged collateral, usually in the form of mortgages, must be held by a third party institution for the benefit of the commissioner.

Investments

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the District, in their name, or in custody of a third party on behalf of the local government.

As of December 31, 2018, the District had \$540,730 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure. COLOTRUST operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by Colotrust are valued at fair value.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B – CASH AND INVESTMENTS – CONTINUED

A reconciliation of the carrying value of deposits and investments reported above to the Statement of Net Position is as follows:

Deposits	\$ 25,819
Investments	<u>540,730</u>
Total equity in pooled cash and investments	<u>\$ 566,549</u>

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/18</u>
Governmental activities				
Road system	\$ 910,251	\$ 101,735	\$ –	\$ 1,011,986
Less: accumulated depreciation	<u>(323,600)</u>	<u>(31,635)</u>	<u>–</u>	<u>(355,235)</u>
Governmental activities capital assets, net	<u>\$ 586,651</u>	<u>\$ 70,100</u>	<u>\$ –</u>	<u>\$ 656,751</u>
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 18,391	\$ –	\$ –	\$ 18,391
Land	<u>83,598</u>	<u>–</u>	<u>–</u>	<u>83,598</u>
Total capital assets not being depreciated	101,989	–	–	101,989
Capital assets being depreciated				
Water system	4,006,340	17,778	–	4,024,118
Less: accumulated depreciation	<u>(1,342,459)</u>	<u>(106,162)</u>	<u>–</u>	<u>(1,448,621)</u>
Total capital assets being depreciated	<u>2,663,881</u>	<u>(88,384)</u>	<u>–</u>	<u>2,575,497</u>
Business-type activities capital assets, net	<u>\$ 2,765,870</u>	<u>\$ (88,384)</u>	<u>\$ –</u>	<u>\$ 2,677,486</u>

Depreciation expense for the governmental activities and business-type activities for 2018 was \$31,635 and \$106,162, respectively. All governmental activity depreciation is allocated to the general government function.

Buttermilk Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE D – LONG-TERM OBLIGATIONS

A summary of the District’s Long-term Debt Obligations follows:

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/18</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General Obligation Bonds:					
Governmental activities					
Bonds	\$ 275,789	\$ –	\$ 66,316	\$ 209,473	\$ 68,421
Bond premium	<u>10,452</u>	<u>–</u>	<u>2,613</u>	<u>7,839</u>	<u>–</u>
Total governmental activities	286,241	–	68,929	217,312	68,421
Business-type activities					
Bonds	1,034,211	–	248,684	785,527	256,579
Bond premium	<u>39,193</u>	<u>–</u>	<u>9,799</u>	<u>29,394</u>	<u>–</u>
Total business-type activities	<u>1,073,404</u>	<u>–</u>	<u>258,483</u>	<u>814,921</u>	<u>256,579</u>
 Total General Obligation Bonds	 <u>\$ 1,359,645</u>	 <u>\$ –</u>	 <u>\$ 327,412</u>	 <u>\$ 1,032,233</u>	 <u>\$ 325,000</u>

2011 Series Refunding Bonds

On September 7, 2011, the District issued \$2,850,000 in general obligation refunding bonds with interest rates ranging between 2.0% and 4.0%. The District issued the bonds to advance refund \$2,665,000 of the outstanding series 2002 general obligation bonds with interest rates ranging between 2.0% to 5.75%.

The annual requirements to amortize the 2011 bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 325,000	\$ 36,550	\$ 361,550
2020	330,000	26,800	356,800
2021	<u>340,000</u>	<u>13,600</u>	<u>353,600</u>
	<u>\$ 995,000</u>	<u>\$ 76,950</u>	<u>\$ 1,071,950</u>

The reconciliation of general obligation bonds outstanding as of December 31, 2018 and future debt service requirements disclosed in the schedule immediately preceding this reconciliation follows:

Principal portion of total debt service requirements	\$ 995,000
Bond premium	<u>37,233</u>
Total general obligation debt outstanding	<u>\$ 1,032,233</u>

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE E – COMMITMENTS AND CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that there are no material outstanding claims against the District at December 31, 2018.

NOTE F – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool (“Pool”) for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2017 (latest information available) is as follows:

Assets	<u>\$ 56,602,888</u>
Liabilities	\$ 30,815,521
Capital and surplus	<u>25,787,367</u>
Total	<u>\$ 56,602,888</u>
Revenues	\$ 20,082,198
Investment income and other	<u>631,496</u>
Total revenue	20,713,694
Expenses	<u>18,721,378</u>
Excess of revenues over expenses	<u>\$ 1,992,316</u>

NOTE G – TABOR AMENDMENT

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer’s Bill of Rights (“TABOR”). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a new tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G – TABOR AMENDMENT – CONTINUED

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1994. At December 31, 2018, a reserve of \$3,630 was required for the General Fund and \$5,012 was required for the Enterprise (Water) Fund.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992 fiscal year spending. The District's first year of operations ended December 31, 2003. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

In 2000 the District's electorate voted to allow the District to collect, retain, and expend revenues notwithstanding any of TABOR's restrictions.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

Buttermilk Metropolitan District

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - PROPRIETARY FUND

Year ended December 31, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Water service charges	\$ 198,583	\$ 237,728	\$ 39,145
Miscellaneous income	1,040	711	(329)
Total operating revenues	<u>199,623</u>	<u>238,439</u>	<u>38,816</u>
Operating expenses			
Operations and maintenance	202,245	263,063	(60,818)
Management fees and office	36,510	30,692	5,818
Accounting and auditing	17,500	18,305	(805)
Legal	4,550	1,539	3,011
Insurance	6,868	6,658	210
Engineering	7,000	-	7,000
Miscellaneous expenses	4,690	4,071	619
Contingency	38,899	-	38,899
Total operating expenses	<u>318,262</u>	<u>324,328</u>	<u>(6,066)</u>
Excess of operating revenues over (under) operating expenses	(118,639)	(85,889)	32,750
Nonoperating revenues			
Property taxes, less abatements	420,655	419,093	(1,562)
Specific ownership taxes	12,620	15,352	2,732
Interest income	7,850	15,173	7,323
Total nonoperating revenues	<u>441,125</u>	<u>449,618</u>	<u>8,493</u>
Nonoperating expenses			
Treasurer fees	21,033	20,986	47
Interest expense	35,096	34,578	518
Debt service principal	248,850	248,684	166
Capital outlay	76,500	118,265	(41,765)
Total nonoperating expenses	<u>381,479</u>	<u>422,513</u>	<u>(41,034)</u>
Excess of revenues over (under) expenses	<u>\$ (58,993)</u>	<u>(58,784)</u>	<u>\$ 209</u>
Adjustments to GAAP basis			
Amortization of bond premium		9,799	
Depreciation and amortization		(106,162)	
Capital outlay (capitalized)		17,778	
Debt service principal		248,684	
Change in net position		<u>\$ 111,315</u>	

OTHER INFORMATION

Buttermilk Metropolitan District

SCHEDULE OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2018

Calendar Year Ended December 31	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
General Fund					
2007	\$ 23,970,671	7.630	\$ 182,902	\$ 182,896	100.00%
2008	27,104,380	6.951	188,403	188,382	99.99%
2009	29,748,430	6.951	206,782	206,787	100.00%
2010	47,852,030	4.305	206,003	200,450	97.30%
2011	45,950,290	4.305	197,816	196,789	99.48%
2012	32,806,970	4.305	141,235	141,234	99.99%
2013	32,024,020	4.305	137,863	135,010	97.93%
2014	32,728,180	4.305	140,895	140,336	99.60%
2015	33,919,820	4.305	146,025	146,024	100.00%
2016	31,651,330	5.305	167,910	167,910	100.00%
2017	32,703,790	5.305	173,494	173,494	100.00%
2018	34,450,070	5.305	182,758	182,758	100.00%
2019	34,648,120	7.305	253,104		
Proprietary Fund					
2007	31,735,231	13.434	426,335	427,283	100.22%
2008	40,992,790	10.594	434,278	434,252	99.99%
2009	41,761,950	10.594	442,426	442,426	100.00%
2010	58,476,600	7.573	442,843	438,229	98.96%
2011	57,608,370	7.573	436,266	420,905	96.48%
2012	40,619,120	9.900	402,129	393,516	97.86%
2013	37,689,410	9.900	373,125	371,943	99.68%
2014	38,859,520	9.900	384,709	384,709	100.00%
2015	39,843,390	9.900	394,450	393,977	99.88%
2016	41,969,350	9.900	415,497	414,750	99.82%
2017	42,960,980	9.900	425,313	425,313	100.00%
2018	42,490,320	9.900	420,655	419,093	99.63%
2019	42,800,670	9.900	423,726		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.