

**BUFFALO MOUNTAIN
METROPOLITAN DISTRICT**

FINANCIAL STATEMENTS
December 31, 2019



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Independent Auditor's Report	a - b
Management's Discussion and Analysis	i - iv
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Statement of Net Position - Proprietary Fund	5
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	6
Statement of Cash Flows - Proprietary Fund	7
Notes to Financial Statements	8 - 20
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	21
Notes to Required Supplementary Information	22
Other Information	
Budgetary Comparison Schedule - Water and Sewer Utility Fund	23
Single Audit	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	26 - 28
Schedule of Findings and Questioned Costs	29 - 30
Corrective Action Plan	31

TABLE OF CONTENTS
(Continued)

Summary Schedule of Prior Audit Findings	32
Schedule of Expenditures of Federal Awards	33
Notes to the Schedule of Expenditures of Federal Awards	34



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Buffalo Mountain Metropolitan District
Summit County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Buffalo Mountain Metropolitan District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Buffalo Mountain Metropolitan District as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and budgetary comparison schedule on pages i – iv and 21 – 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Buffalo Mountain Metropolitan District's basic financial statements. The accompanying budgetary comparison schedule for the water and sewer utility fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards required by Title 2 *U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* is also presented for purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated August 18, 2020, on our consideration of the Buffalo Mountain Metropolitan District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Buffalo Mountain Metropolitan District's internal control over financial reporting and compliance.

Logan and Associates, LLC

Aurora, Colorado
August 18, 2020

BUFFALO MOUNTAIN METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2019

This management's discussion and analysis of the Buffalo Mountain Metropolitan District's financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

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

Fund Financial Statements

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2019

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

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's net position for the fiscal years 2019 and 2018.

	2019			2018		
	Governmental		Business-Type	Governmental		Business-Type
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>Assets:</u>						
Current Assets	2,739,859	4,288,944	7,028,803	2,279,067	1,798,467	4,077,534
Investments - Long Term	-	964,638	964,638	-	1,197,169	1,197,169
Investment in Joint Venture	-	2,454,686	2,454,686	-	2,374,935	2,374,935
Capital Assets, Net	3,213,045	5,064,520	8,277,565	3,404,095	3,923,840	7,327,935
Total Assets	5,952,904	12,772,788	18,725,692	5,683,162	9,294,411	14,977,573
<u>Liabilities and Deferred Inflows:</u>						
Current Liabilities		228,447	228,447	-	83,830	83,830
Non Current Liabilities		2,938,633	2,938,633	-	-	-
Deferred Inflows	1,099,432	-	1,099,432	872,431	-	872,431
Total Liabilities & Deferred Inflows	1,099,432	3,167,080	4,266,512	872,431	83,830	956,261
<u>Net Position:</u>						
Invested in Capital Assets,	3,213,045	4,007,180	7,220,225	3,404,095	3,923,840	7,327,935
Restricted for Emergencies	31,700	-	31,700	31,700	-	31,700
Restricted for Debt Service		201,592	201,592			
Unrestricted	1,608,727	5,396,936	7,005,663	1,374,936	5,286,741	6,661,677
Total Net Position	4,853,472	9,605,708	14,459,180	4,810,731	9,210,581	14,021,312

A substantial portion of the District's assets consist of current assets. Additionally, the District has a substantial investment in capital assets. During 2019, the District entered into a \$3,000,000 loan agreement with the Colorado Water Resources and Power Development Authority to be used to construct replacement facilities for the District's potable water system. While long term debt increased substantially as a result of this new loan, assets increased by a corresponding amount. Total net position increased \$437,868 during 2019 as a result of the District operating at a surplus, primarily in the business type activities.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2019

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The statement of activities reflects the cost of program expenses and the charges and taxes which are used to offset the cost of those services. The following detail reflects the total cost of services supported by program revenues and general property taxes, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2019 and 2018.

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<u>Revenues:</u>						
General Revenues:						
Taxes	920,917	-	920,917	922,835	-	922,835
Investment Income	31,600	69,789	101,389	32,671	48,480	81,151
Miscellaneous	200	86,647	86,847	550	89,365	89,915
Program Revenues:						
Charges for Services	2,256	1,547,015	1,549,271	2,756	1,499,075	1,501,831
Grants and Contributions	111,403	72,800	184,203	107,607	96,600	204,207
Total Revenues	<u>1,066,376</u>	<u>1,776,251</u>	<u>2,842,627</u>	<u>1,066,419</u>	<u>1,733,520</u>	<u>2,799,939</u>
<u>Program Expenses:</u>						
General Government	198,886	-	198,886	203,127	-	203,127
Public Works	594,923	-	594,923	580,130	-	580,130
Parks and Recreation	229,826	-	229,826	200,126	-	200,126
Water and Sewer Utility		1,381,124	1,381,124	-	1,358,806	1,358,806
Total Expenses	<u>1,023,635</u>	<u>1,381,124</u>	<u>2,404,759</u>	<u>983,383</u>	<u>1,358,806</u>	<u>2,342,189</u>
Change in Net Position	<u>42,741</u>	<u>395,127</u>	<u>437,868</u>	<u>83,036</u>	<u>374,714</u>	<u>457,750</u>
Net Position - beginning of year	4,810,731	9,210,581	14,021,312	4,727,695	8,835,867	13,563,562
Net Position - end of year	<u>4,853,472</u>	<u>9,605,708</u>	<u>14,459,180</u>	<u>4,810,731</u>	<u>9,210,581</u>	<u>14,021,312</u>

The District's two primary sources of revenues are from taxes and from charges for services. These revenues are used to pay the cost of the general government and the cost of the water and sewer utility activities. While the District operated at a surplus in 2019, the District's operating expenses are increasing disproportionately which is expected to require fee or tax increases to pay the increased expenses in future years.

THE DISTRICT'S FUNDS

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2019

The General Fund ending fund balance increased from \$1,406,636 to \$1,640,427 during the fiscal year ended December 31, 2019. This represents a surplus of current period revenues (financial sources) over current period expenditures (financial uses). This is primarily the result of the District operating at a surplus in order to accumulate reserves to be invested in maintaining and replacing the District's current road and path infrastructure in the future. The General Fund generated \$1,066,376 in revenues and incurred \$832,585 in expenditures during 2019. The ending fund balance in the governmental fund of \$1,640,427 is the amount of net resources available for future spending.

The fund level financial statements for the proprietary fund provides the same type of information found in the government-wide financial statements but in more detail. The total net position in the proprietary fund increased \$395,127 during 2019 but the unrestricted net position, excluding the investment in Silverthorne/Dillon Joint Sewer Authority, increased from \$2,911,806 in 2018 to \$2,942,250 in 2019. This increase is the result of the District's investment in capital assets in the proprietary fund, net of related debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 1* of the notes to required supplementary information. The District had no budget amendments during 2019. The major difference in actual expenses compared to budget come from the deferral of capital project expenditures to future years to provide more time to plan and prepare for the projects.

CAPITAL ASSETS

During 2019, the District recorded capital asset additions of \$17,115 and depreciation expense of \$208,165 in its governmental activities resulting in a net decrease in capital assets of \$191,050 for buildings and improvements and the pedestrian path. These changes bring the year end net capital asset balance in the governmental activities to \$3,213,045. The business-type activities had capital additions of \$1,363,381 during 2019 for the water and sewer systems. The business-type activities recorded depreciation expense of \$222,701, bringing the year end net capital asset balance to \$5,064,520. *See Note 4 Capital Assets* for additional details.

LONG-TERM DEBT

On March 1, 2019, the District entered into a \$3,000,000 loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) for the construction of a water tank, pump station, distribution lines and telemetry equipment. Principal and interest payments of \$91,367 are due semi-annually, commencing on November 1, 2020 through May 1, 2040. Interest accrues at 2% per annum. *See Note 5 Long-Term Debt* for additional details.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Cash and Investments	\$ 1,609,362	\$ 1,954,818	\$ 3,564,180
Accounts Receivable	25,197	379,940	405,137
Accounts Receivable - County Treasurer	4,218	-	4,218
Accounts Receivable - CWRPDA	-	1,942,660	1,942,660
Accrued Interest Receivable	-	10,239	10,239
Taxes Receivable	1,099,432	-	1,099,432
Prepaid Expenses	-	886	886
Prepaid Expenses	1,650	401	2,051
Investments - Longterm	-	964,638	964,638
Investment in Silverthorne/Dillon Joint Sewer Authority	-	2,454,686	2,454,686
Capital Assets, Not Being Depreciated	-	1,903,258	1,903,258
Capital Assets, Net of Accumulated Depreciation	3,213,045	3,161,262	6,374,307
TOTAL ASSETS	5,952,904	12,772,788	18,725,692
LIABILITIES			
Accounts Payable	-	156,795	156,795
Noncurrent Liabilities			
Due Within One Year	-	71,652	71,652
Due In More Than One Year	-	2,938,633	2,938,633
TOTAL LIABILITIES	-	3,167,080	3,167,080
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	1,099,432	-	1,099,432
NET POSITION			
Net Investment in Capital Assets	3,213,045	4,007,180	7,220,225
Restricted for Emergencies	31,700	-	31,700
Restricted for Debt Service	-	201,592	201,592
Unrestricted	1,608,727	5,396,936	7,005,663
TOTAL NET POSITION	\$ 4,853,472	\$ 9,605,708	\$ 14,459,180

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

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BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 198,886	\$ -	\$ -	\$ -
Public Works	594,923	2,256	100,783	-
Parks and Recreation	229,826	-	10,620	-
Total Governmental Activities	<u>1,023,635</u>	<u>2,256</u>	<u>111,403</u>	<u>-</u>
Business-Type Activities				
Water and Sewer Utility	1,381,124	1,547,015	-	72,800
Total Business-Type Activities	<u>1,381,124</u>	<u>1,547,015</u>	<u>-</u>	<u>72,800</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 2,404,759</u></u>	<u><u>\$ 1,549,271</u></u>	<u><u>\$ 111,403</u></u>	<u><u>\$ 72,800</u></u>

GENERAL REVENUES

Property Taxes
 Specific Ownership Taxes
 Investment Income
 Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (198,886)	\$ -	\$ (198,886)
(491,884)	-	(491,884)
(219,206)	-	(219,206)
(909,976)	-	(909,976)
-	238,691	238,691
-	238,691	238,691
(909,976)	238,691	(671,285)
871,778	-	871,778
49,139	-	49,139
31,600	69,789	101,389
200	86,647	86,847
952,717	156,436	1,109,153
42,741	395,127	437,868
4,810,731	9,210,581	14,021,312
\$ 4,853,472	\$ 9,605,708	\$ 14,459,180

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2019

	GENERAL FUND
ASSETS	
Cash and Investments	\$ 1,609,362
Accounts Receivable	25,197
Accounts Receivable - County Treasurer	4,218
Taxes Receivable	1,099,432
Prepaid Expenses	1,650
TOTAL ASSETS	\$ 2,739,859
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	\$ 1,099,432
FUND BALANCE	
Nonspendable	1,650
Restricted for Emergencies	31,700
Unassigned	1,607,077
TOTAL FUND BALANCE	1,640,427
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,739,859

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

Total Fund Balance of the Governmental Fund	\$ 1,640,427
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,213,045
Total Net Position of Governmental Activities	\$ 4,853,472

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended December 31, 2019

	GENERAL FUND
REVENUES	
Taxes	
Property Taxes	\$ 871,778
Specific Ownership Taxes	49,139
Intergovernmental	
Conservation Trust	10,620
County Road and Bridge	100,783
Charges for Services	2,256
Investment Income	31,600
Miscellaneous Income	200
	1,066,376
TOTAL REVENUES	
EXPENDITURES	
Current	
General Government	198,886
Public Works	559,186
Parks and Recreation	57,398
Capital Outlay	17,115
	832,585
TOTAL EXPENDITURES	
NET CHANGE IN FUND BALANCE	233,791
FUND BALANCE, Beginning	1,406,636
FUND BALANCE, Ending	\$ 1,640,427

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

Net Change in Fund Balance of the Governmental Fund	\$ 233,791
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of current year depreciation expense (\$208,165) exceeded capital outlay \$17,115	(191,050)
Change in Net Position of Governmental Activities	\$ 42,741

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2019

	<u>WATER AND SEWER UTILITY FUND</u>
ASSETS	
Current Assets	
Cash and Investments	\$ 1,954,818
Accounts Receivable	379,940
Accounts Receivable - CWRPDA	1,942,660
Accrued Interest Receivable	10,239
Inventory	886
Prepaid Expenses	401
Total Current Assets	<u>4,288,944</u>
Noncurrent Assets	
Investments - Longterm	964,638
Investment in Silverthorne/Dillon Joint Sewer Authority	2,454,686
Capital Assets, Not Being Depreciated	1,903,258
Capital Assets, Net of Accumulated Depreciation	3,161,262
Total Noncurrent Assets	<u>8,483,844</u>
TOTAL ASSETS	<u>12,772,788</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	156,795
Loan Payable	61,367
Compensated Absences Payable	10,285
Total Current Liabilities	<u>228,447</u>
Noncurrent Liabilities	
Loan Payable	<u>2,938,633</u>
TOTAL LIABILITIES	<u>3,167,080</u>
NET POSITION	
Invested in Capital Assets	4,007,180
Restricted for Debt Service	201,592
Unrestricted	5,396,936
TOTAL NET POSITION	<u>\$ 9,605,708</u>

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2019

	<u>WATER AND SEWER UTILITY FUND</u>
OPERATING REVENUES	
Charges for Services	\$ 1,547,015
Miscellaneous	25,251
	<hr/>
TOTAL OPERATING REVENUES	1,572,266
	<hr/>
OPERATING EXPENSES	
Water Operations	333,987
Sewer Operations	655,702
Administration and General	168,734
Depreciation	222,701
	<hr/>
TOTAL OPERATING EXPENSES	1,381,124
	<hr/>
OPERATING INCOME	191,142
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NON-OPERATING REVENUES	
Investment Income	69,789
Net Income from Joint Sewer Authority	61,396
	<hr/>
TOTAL NON-OPERATING REVENUES	131,185
	<hr/>
INCOME BEFORE CAPITAL CONTRIBUTIONS	322,327
	<hr/>
CAPITAL CONTRIBUTIONS	
Tap Fees	72,800
	<hr/>
CHANGE IN NET POSITION	395,127
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NET POSITION, Beginning	9,210,581
	<hr/>
NET POSITION, Ending	<u>\$ 9,605,708</u>

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2019

	<u>WATER AND SEWER UTILITY FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 1,540,836
Cash Received from Other Sources	25,251
Cash Payments to Employees	(142,773)
Cash Payments to Suppliers	<u>(979,277)</u>
Net Cash Provided by Operating Activities	<u>444,037</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Property, Plant and Equipment	(1,307,732)
CWRPDA Loan Proceeds (Net of Draws)	1,057,340
Tap Fees Received	<u>72,800</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(177,592)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (Purchase) of Investments	232,531
Interest Received	<u>69,378</u>
Net Cash Provided by Investing Activities	<u>301,909</u>
Increase (Decrease) in Cash and Cash Equivalents	568,354
CASH AND CASH EQUIVALENTS, Beginning	<u>1,386,464</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 1,954,818</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 191,142
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	222,701
Net Income from Sewer Operations in Joint Sewer Authority	(18,355)
Changes in Assets and Liabilities	
Accounts Receivable	(6,179)
Prepaid Expenses	28,013
Inventory	(886)
Accounts Payable	29,129
Compensated Absences Payable	<u>(1,528)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 444,037</u></u>

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental Activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and available for use.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year.

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

The District also reports the following major proprietary fund:

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

Assets, Liabilities and Net Position/Fund Balance

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

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Long-Term Debt - In the government-wide financial statements, and the proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. In the governmental fund financial statements the face amount of debt issued is reported as other financing sources. Debt premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the year of the debt issuance. In the government-wide and proprietary funds, debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Net Investment in Capital Assets – This classification reflects the portion of net position that is associated with non-liquid, capital assets less outstanding capital asset related debt.
- Restricted Net Position – This classification includes amounts for which constraints have been placed on net position either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This classification includes the remaining net position that is not restricted or part of the net investment in capital assets.

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- Assigned – This classification includes amounts that are constrained by the District's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

Property Taxes

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

Use of Estimates

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

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2019 through August 18, 2020, the date of these financial statements were issued, and has incorporated any required recognition into these financial statements.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District is located. It is unknown how long these conditions will last and what the complete financial effect will be to the District.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2019, follows:

Petty Cash	\$	200
Deposits		2,742,584
Investments		<u>1,786,034</u>
Total		<u>\$ 4,528,818</u>

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

Cash and Investments	\$	3,564,180
Investments – Long-term		<u>964,638</u>
Total		<u>\$ 4,528,818</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2019, the District had bank deposits totaling \$2,742,673, of which all were FDIC insured.

Investments

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments. The District generally limits its concentration of investments to Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

At December 31, 2019, the District had the following investments:

	<u>Maturity</u>	<u>2019</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 1,786,034</u>

The District invested in the Colorado Government Liquid Asset Trust (COLOTRUST) (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard and Poor's. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 3: INVESTMENT IN SILVERTHORNE/DILLON JOINT SEWER AUTHORITY

The District is a participant in the Silverthorne/Dillon Joint Sewer Authority (the "Authority"). The Authority was organized to construct and operate a sewage treatment plant in Summit County. The other participants are the towns of Silverthorne and Dillon, Dillon Valley Metropolitan District, Mesa Cortina Metropolitan District (all of which are political subdivisions of the State of

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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

Colorado) and Yale Investments, Inc. (a Colorado corporation). Oversight responsibilities and control of the Authority is vested in an eight-member committee with two members appointed by each town and one member appointed by each of the other participants. The costs of construction are paid by the participants based on their proportional share of the available capacity in each phase of the project.

The District currently owns 2,188 equivalent residential units or 20.0% of the reserved capacity in the plant. The District's equity ownership in the Authority, based on the Authority's most recent completed audit, December 31, 2019, was 15.88% or \$2,454,686, which is reported in the financial statements as Investment in Silverthorne/Dillon Joint Sewer Authority.

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

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019, is summarized below:

	Balances 12/31/2018	Additions	Deletions	Balances 12/31/2019
Governmental Activities:				
Capital Assets, being depreciated				
Buildings and improvements	1,036,733	17,115	-	1,053,848
Pedestrian/Bike path	5,172,834	-	-	5,172,834
Total Capital Assets, being depreciated	<u>6,209,567</u>	<u>17,115</u>	<u>-</u>	<u>6,226,682</u>
Less accumulated depreciation				
Buildings and improvements	(259,429)	(35,737)	-	(295,166)
Pedestrian/Bike path	(2,546,043)	(172,428)	-	(2,718,471)
Total accumulated depreciation	<u>(2,805,472)</u>	<u>(208,165)</u>	<u>-</u>	<u>(3,013,637)</u>
Governmental Activities Capital Assets, net	<u>\$ 3,404,095</u>	<u>\$ (191,050)</u>	<u>\$ -</u>	<u>\$ 3,213,045</u>

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

Governmental Activities	
Public Works	\$ 35,737
Parks and Recreation	<u>172,428</u>
Total	<u>\$ 208,165</u>

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2019</u>
Business-type Activities:				
Capital Assets, not being depreciated				
Land	\$ 309,742	\$ -	\$ -	\$ 309,742
Water rights	191,573	-	-	191,573
Construction in Progress	199,715	1,202,228		1,401,943
Total Capital Assets, not being depreciated	<u>701,030</u>	<u>1,202,228</u>	<u>-</u>	<u>1,903,258</u>
Capital Assets, being depreciated				
Buildings and improvements	1,219,868	-	-	1,219,868
Water and Sewer Systems	5,819,006	32,217	-	5,851,223
Equipment	163,701	128,936	-	292,637
Total Capital Assets, being depreciated	<u>7,202,575</u>	<u>161,153</u>	<u>-</u>	<u>7,363,728</u>
Less accumulated depreciation				
Buildings and improvements	(550,757)	(54,796)	-	(605,553)
Water and Sewer Systems	(3,365,395)	(149,683)	-	(3,515,078)
Equipment	(63,613)	(18,222)	-	(81,835)
Total accumulated depreciation	<u>(3,979,765)</u>	<u>(222,701)</u>	<u>-</u>	<u>(4,202,466)</u>
Total Capital Assets, being depreciated, net	<u>3,222,810</u>	<u>(61,548)</u>	<u>-</u>	<u>3,161,262</u>
Business-type Activities Capital Assets, net	<u>\$ 3,923,840</u>	<u>\$ 1,140,680</u>	<u>\$ -</u>	<u>\$ 5,064,520</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2019:

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Due Within</u> <u>One Year</u>
Business-type Activities					
2019 Water Loan	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 61,367
Compensated absences	11,813	6,234	7,762	10,285	10,285
	<u>\$ 11,813</u>	<u>\$ 3,006,234</u>	<u>\$ 7,762</u>	<u>\$ 3,010,285</u>	<u>\$ 71,652</u>

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

Water Loan

On March 1, 2019, the District entered into a \$3,000,000 loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) for the construction of a water tank, pump station, distribution lines and telemetry equipment. Principal and interest payments of \$91,367 are due semi-annually, commencing on November 1, 2020 through May 1, 2040. Interest accrues at 2% per annum.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5: LONG-TERM DEBT (Continued)

The water loan is payable solely from revenues of the District's water utility system, after deducting operation and maintenance costs. During the year ended December 31, 2019, net revenues of \$289,732 were available to pay annual debt service. Remaining debt service at December 31, 2019 was \$3,654,672.

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 61,367	\$ 30,000	\$ 91,367
2021	124,581	58,153	182,734
2022	127,085	55,649	182,734
2023	129,639	53,095	182,734
2024	132,245	50,489	182,734
2025 – 2029	702,181	211,487	913,668
2030 – 2034	775,645	138,022	913,667
2035 – 2039	856,795	56,872	913,667
2040	90,462	905	91,367
Total	<u>\$ 3,000,000</u>	<u>\$ 654,672</u>	<u>\$ 3,654,672</u>

A provision of the loan requires the net revenues (total revenues less operating and maintenance expenses) be at least 110% of the annual debt service due in any one year. During the year ended December 31, 2019, the District complied with this covenant.

Additionally, the loan requires the District to maintain an operations and maintenance reserve fund in an amount equal to three months of operations and maintenance expenses, excluding debt service and depreciation expense, as set forth in the annual budget for the current fiscal year. Accordingly, the District has restricted \$201,592 of the Water and Sewer Utility Fund's net position, calculated as follows:

	<u>2019 Budget</u>
Total Water Utility Expenditures	\$ 821,923
Less Debt Service	<u>(15,556)</u>
Operations and Maintenance Expenditures	<u>\$ 806,367</u>
3 Months of Operations and Maintenance	<u>\$ 201,592</u>

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6: MESA CORTINA SUBDIVISION AGREEMENT

The District has an agreement with Mesa Cortina Water and Sanitation District (MCWSD) to provide water and sewer services to the Mesa Cortina Subdivision (Mesa Cortina). The District receives monthly fees to provide water and sewer transmission service. MCWSD is responsible for the operations and maintenance of Mesa Cortina. The District has agreed to provide water and sewer services to Mesa Cortina in perpetuity. During 2019, the District received \$66,722 in water and sewer fees from Mesa Cortina.

NOTE 7: RETIREMENT COMMITMENTS

Deferred Compensation Plan

The District has established a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by ICMARC. Eligible employees may participate in the Plan at their option. The District matched 100% of the eligible employees' contributions, up to 2% and 10% of their covered salary. During the year ended December 31, 2019, the District contributed \$11,236 to the Plan.

NOTE 8: RISK MANAGEMENT

Public Entity Risk Pool

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

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 8: RISK MANAGEMENT (Continued)

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

NOTE 9: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

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

The District has established an emergency reserve, representing 3% of qualifying fiscal year spending, as required by the Amendment. At December 31, 2019, the emergency reserve of \$31,700 was reported as a restriction of fund balance in the General Fund.

Grant Programs

The District participated in a grant program that is fully or partially funded by federal or state governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At December 31, 2019, significant amounts of grant expenses have not been audited by these grantor agencies, but management believes that subsequent audits will not have a material effect on the overall financial position of the District.

Construction Commitments

Subsequent to the year ended December 31, 2019, the District amended the water tank project contract by approximately \$215,000 in order to replace approximately 1,200 feet of corroded water pipe.

In addition, the District entered into a contract for a sewer repair project in the amount of \$457,747.

REQUIRED SUPPLEMENTARY INFORMATION

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2019

(With Comparative Actual Totals for the Year Ended December 31, 2018)

	2019			2018 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	
REVENUES				
Taxes				
Property Taxes	\$ 872,431	\$ 871,778	\$ (653)	\$ 871,050
Specific Ownership Taxes	43,622	49,139	5,517	51,785
Intergovernmental				
Conservation Trust	10,000	10,620	620	9,568
County Road and Bridge	100,784	100,783	(1)	98,039
Charges for Services	3,256	2,256	(1,000)	2,756
Investment Income	27,216	31,600	4,384	32,671
Miscellaneous Income	-	200	200	550
TOTAL REVENUES	1,057,309	1,066,376	9,067	1,066,419
EXPENDITURES				
Current				
General Government	220,121	198,886	21,235	203,127
Public Works	625,097	559,186	65,911	545,249
Parks and Recreation	66,351	57,398	8,953	27,698
Capital Outlay	130,000	17,115	112,885	-
TOTAL EXPENDITURES	1,041,569	832,585	208,984	776,074
NET CHANGE IN FUND BALANCE	15,740	233,791	218,051	290,345
FUND BALANCE, Beginning	1,360,789	1,406,636	45,847	1,116,291
FUND BALANCE, Ending	\$ 1,376,529	\$ 1,640,427	\$ 263,898	\$ 1,406,636

See the accompanying Independent Auditors' Report.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2019

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

SUPPLEMENTARY INFORMATION

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE

WATER AND SEWER UTILITY FUND

Year Ended December 31, 2019

(With Comparative Actual Totals for the Year Ended December 31, 2018)

	2019		VARIANCE Positive (Negative)	2018 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Sewer Service Fees	\$ 949,752	\$ 958,656	\$ 8,904	\$ 925,045
Water Service Fees	585,587	588,359	2,772	574,030
Sewer Tap Fees	28,800	37,440	8,640	49,680
Water Tap Fees	27,200	35,360	8,160	46,920
Investment Income	55,530	69,789	14,259	48,480
CWRPDA Loan Proceeds	3,000,000	3,000,000	-	-
Miscellaneous	24,000	25,251	1,251	24,000
TOTAL REVENUES	4,670,869	4,714,855	43,986	1,668,155
EXPENDITURES				
Water Operations	806,367	333,987	472,380	418,206
Sewer Operations	660,435	674,057	(13,622)	588,173
Administration and General	206,199	168,734	37,465	159,542
Debt Service - Interest	15,556			
Capital Outlay	2,860,375	1,363,381	1,496,994	332,564
TOTAL EXPENDITURES	4,548,932	2,540,159	2,008,773	1,498,485
CHANGE IN NET POSITION, Budgetary Basis	\$ 121,937	2,174,696	\$ 2,052,759	169,670
ADJUSTMENTS TO GAAP BASIS				
Net Income from Joint Sewer Authority		61,396		65,365
Net Income from Sewer Operation in Joint Sewer Authority		18,355		19,772
CWRPDA Loan Proceeds		(3,000,000)		-
Capital Outlay		1,363,381		332,564
Depreciation		(222,701)		(212,657)
CHANGE IN NET POSITION, GAAP Basis		395,127		374,714
NET POSITION, Beginning		9,210,581		8,835,867
NET POSITION, Ending		\$ 9,605,708		\$ 9,210,581

See the accompanying Independent Auditor's Report.

SINGLE AUDIT



Board of Directors
Buffalo Mountain Metropolitan District
Summit County, Colorado

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Buffalo Mountain Metropolitan District (the "District") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Logan and Associates, LLC

Aurora, Colorado
August 18, 2020



Board of Directors
Buffalo Mountain Metropolitan District
Summit County, Colorado

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

We have audited the Buffalo Mountain Metropolitan District's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2019. District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Response to Findings

The District's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and its results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining

fund information of the Buffalo Mountain Metropolitan District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Buffalo Mountain Metropolitan District. We issued our report thereon dated August 18, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Buffalo Mountain Metropolitan District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Logan and Associates, LLC

Aurora, Colorado
August 18, 2020

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2019

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____yes x none reported

Noncompliance material to financial statements noted?

_____yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes _____none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 x yes _____no

Identification of major programs:

66.468 Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee.

_____yes x no

(Continued)

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Financial Reporting Findings

2019-001 Procurement Policy

Criteria The District received and spent federal grant funds during the year ended December 31, 2019. Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) § 200.318 requires the District to establish, in writing, procurement standards for use in the District procurement (purchases) over federal grant expenditures.

Condition The District does not have written procurement (purchasing) policies and procedures for use in procuring and spending federal grant expenditures.

Context During the performance of our audit procedures, we identified that the District doesn't have the required procurement standards in writing.

Effect There is a risk that District's procurement of federal grant expenditures are not in compliance with the federal grant program that is funding the water tank project.

Cause The District's financial activities usually do not include expenditures which are funded by federal grants. The District's new water tank construction project is being funded by federal grant funds through a loan from the Colorado Water Resources & Power Development Authority, which is also overseen by the Colorado Department of Public Health and Environment. During the planning stages of the project and loan approval, neither entity informed the District of these federal requirements. Therefore, District management was not aware of these requirements, in order to establish and approve procurement policies and procedures.

Questioned Costs None.

Recommendation We recommend that the District establish and approve procurement policies and procedures for all procurement activities of the District.

View of Responsible Officials and Planned Corrective Actions

See the accompanying Corrective Action Plan.

Buffalo Mountain Metropolitan District

CORRECTIVE ACTION PLAN

Buffalo Mountain has created a Procurement Policy and it is currently in place and being followed.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2019

None Reported.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

	<u>Grant Award Identifying Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency			
Passed through Colorado Water Resources & Power Development Authority: Capitalization Grants for Drinking Water State Revolving Funds	D19F425	66.468 *	\$ <u>1,057,340</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,057,340</u>

* - tested as major funds.

See the accompanying Independent Auditors' Report.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2019

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), using the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, information presented in the schedule of expenditures of federal awards may differ from the expenditures presented in the District's financial statements for the year ended December 31, 2019.

NOTE 2: DE MINIMUS COST RATE

The District has not allocated indirect cost its federal awards through a federally negotiated indirect cost rate and has elected not to use the 10% de minimus cost rate allowed under the Uniform Guidance.