

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

December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

July 13, 2021

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, 2020, 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.

### **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 Buttermilk Metropolitan District, as of December 31, 2020, 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.



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 3–9 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.

### *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 budget to actual schedule, and the property tax schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The proprietary fund budget to actual 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 budget to actual 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 them.

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

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

**BUTTERMILK METROPOLITAN DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2020**

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, 2020. 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 2020 are as follows:

- In total, the District’s overall net position increased by \$255,041, or 8.22% 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 2019 to 2020 can be seen in the Statement of Activities on page 11.
- Total revenues increased by \$63,734 or 6.96%, from the prior fiscal year. This is primarily due to an increase in water usage and billings, and a minimal increase in property tax revenue from increased property values while decreasing the water and road mill levies. The summarized Statement of Activities can be found on page 11 of the financial statements.
- Overall expenses in 2020 increased by \$73,948 or 11.37%, compared to 2019. This is primarily due to the net effect of an increase in purchased water, and a decrease in snow removal expense.

### **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, 2020

***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 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, 2020

**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 2020 compared to 2019.

| <i>IN THOUSANDS</i>                   | <b>GOVERNMENTAL<br/>ACTIVITIES</b> |               | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> |                 | <b>TOTAL PRIMARY<br/>GOVERNMENT</b> |                 |
|---------------------------------------|------------------------------------|---------------|-------------------------------------|-----------------|-------------------------------------|-----------------|
|                                       | <u>2020</u>                        | <u>2019</u>   | <u>2020</u>                         | <u>2019</u>     | <u>2020</u>                         | <u>2019</u>     |
| <b>ASSETS:</b>                        |                                    |               |                                     |                 |                                     |                 |
| Current & Other Assets                | \$ 431                             | \$ 360        | \$ 991                              | \$ 992          | \$ 1,422                            | \$ 1,352        |
| Capital Assets, Net                   | 589                                | 623           | 2,515                               | 2,589           | 3,104                               | 3,212           |
| <b>Total Assets</b>                   | <u>1,020</u>                       | <u>983</u>    | <u>3,506</u>                        | <u>3,581</u>    | <u>4,526</u>                        | <u>4,564</u>    |
| <b>LIABILITIES:</b>                   |                                    |               |                                     |                 |                                     |                 |
| Current & Other Liabilities           | 17                                 | 29            | 33                                  | 15              | 50                                  | 44              |
| Long-term Debt - Current              | 74                                 | 69            | 278                                 | 261             | 352                                 | 330             |
| Long-term Debt - Non-current          | -                                  | 77            | -                                   | 288             | -                                   | 365             |
| <b>Total Liabilities</b>              | <u>91</u>                          | <u>175</u>    | <u>311</u>                          | <u>564</u>      | <u>402</u>                          | <u>739</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES:</b> |                                    |               |                                     |                 |                                     |                 |
| Property Taxes                        | 296                                | 281           | 472                                 | 444             | 768                                 | 725             |
| <b>NET POSITION:</b>                  |                                    |               |                                     |                 |                                     |                 |
| Net Investment in Capital Assets      | 515                                | 477           | 2,237                               | 2,040           | 2,752                               | 2,517           |
| Restricted for Emergencies            | 6                                  | 6             | 5                                   | 5               | 11                                  | 11              |
| Unrestricted                          | 112                                | 45            | 481                                 | 528             | 593                                 | 573             |
| <b>Total Net Position</b>             | <u>\$ 633</u>                      | <u>\$ 528</u> | <u>\$ 2,723</u>                     | <u>\$ 2,573</u> | <u>\$ 3,356</u>                     | <u>\$ 3,101</u> |

**Total Assets** decreased by \$37,836 from 2019 to 2020 or .8%, primarily due to decreases in capital assets, net of depreciation and amortization.

**Total Liabilities** decreased by \$336,895 from 2019 to 2020, primarily due to decreases in bond debt.

**Deferred Inflows of Resources** increased by \$44,019 from 2019 to 2020 (property taxes assessed, which are expected to be received in 2020).

BUTTERMILK METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2020

**Total Net Position** for the District reflects an overall increase of approximately \$255,041 or 8.2% from 2019 to 2020. This is due to a \$105,342 increase in net position in Governmental Activities (Road Fund) and \$149,699 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 2020 compared to 2019:

| <i>IN THOUSANDS</i>           | <b>GOVERNMENTAL<br/>ACTIVITIES</b> |                     | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> |                      | <b>TOTAL PRIMARY<br/>GOVERNMENT</b> |                      |
|-------------------------------|------------------------------------|---------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|
|                               | 2020                               | 2019                | 2020                                | 2019                 | 2020                                | 2019                 |
| <b>REVENUES:</b>              |                                    |                     |                                     |                      |                                     |                      |
| Charges for Services          | \$ -                               | \$ -                | \$ 265                              | \$ 193               | \$ 265                              | \$ 193               |
| Property & Ownership Taxes    | 272                                | 262                 | 432                                 | 437                  | 704                                 | 699                  |
| Interest Earnings & Other     | 5                                  | 8                   | 4                                   | 16                   | 9                                   | 24                   |
| Total Revenues                | <u>277</u>                         | <u>270</u>          | <u>701</u>                          | <u>646</u>           | <u>978</u>                          | <u>916</u>           |
| <b>EXPENSES:</b>              |                                    |                     |                                     |                      |                                     |                      |
| General government            | 169                                | 243                 | -                                   | -                    | 169                                 | 243                  |
| Interest & Fiscal Charges     | 3                                  | 8                   | -                                   | -                    | 3                                   | 8                    |
| Water                         | -                                  | -                   | 551                                 | 437                  | 551                                 | 437                  |
| Total Expenses                | <u>172</u>                         | <u>251</u>          | <u>551</u>                          | <u>437</u>           | <u>723</u>                          | <u>688</u>           |
| <b>CHANGE IN NET POSITION</b> | <u><u>\$ 105</u></u>               | <u><u>\$ 19</u></u> | <u><u>\$ 150</u></u>                | <u><u>\$ 209</u></u> | <u><u>\$ 255</u></u>                | <u><u>\$ 228</u></u> |

Overall revenues increased by approximately \$63,734 or 6.9%, from 2019 to 2020. This is primarily due to increases in water usage and billings collected in the Proprietary fund over prior year. There was a small increase in property tax collected is due to \$42,671 of tax abatements over prior year even though assessments went up.

Overall expenses in 2020 decreased by approximately \$73,948 or 11.4% compared to 2019. This is primarily due to the net effect of a increase in water augmentation expense in the business-type activities (Water Fund) due to decreased snow run off in 19/20 snow season, and a decrease in snow removal expense over prior year.

**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, 2020**

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 \$277,736 in 2020, which reflects \$271,917 from property taxes and specific ownership taxes net of property tax abatements.

For the following comparison between 2019 and 2020, see specifically pages 13 of this report. General Fund (Road Fund) expenditures of \$210,781 in 2020 reflect a decrease of \$40,355 over the 2019 total expenditures of \$251,136. As of the end of 2020, the District's governmental fund reported an ending fund balance of \$118,517, reflecting an increase of \$66,955 or 129.8%, over the 2019 fund balance. This increase in the fund balance is a result from realizing more revenues than expenditures in 2020. The ending fund balance of \$118,517, (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 \$2,723,032 from \$2,573,333 (for a total increase of \$149,699) during the fiscal year ending December 31, 2020, primarily due to total liabilities decreasing more than total assets. Total liabilities decreased \$253,214 versus total assets decrease of \$75,265, a difference of \$177,949, less the increase in deferred inflows of \$28,250 accounts for the net increase in Net Position of \$149,699.

For the following comparison between 2019 and 2020, see specifically pages 6 and 17 of this report. In the Proprietary Fund, total operating revenues from water usage charges were \$265,736, an increase of \$73,589 compared to 2019. This is due to decreased run off from snowfall in 19/20 snow season. Non-operating revenues, consisting of property and specific ownership taxes, and interest income decreased by \$16,116 from \$452,265 in 2019 to \$436,149 in 2020.

The Proprietary Fund's operating expenses (excluding depreciation, amortization, bad debt, and capital outlay) totaled \$406,895 in 2020, reflecting increase of \$117,363 or 40.5% over 2019, primarily due to increases in the costs associated with purchased water. Other operating expenses decreased \$3,789 over prior year. The Proprietary Fund Statement of Cash Flows (page 18) indicates an ending cash balance of \$492,928 is available for future spending in the Proprietary (Water) Fund.

BUTTERMILK METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2020

***BUDGET VARIANCES***

**Governmental (Road) Fund**

Total revenues in the Road Fund are under budgeted by \$18,007 primarily due to abatements on property taxes. Total expenditures in 2020 were \$210,781 and under budget by 11.2% or \$26,665, with budget savings realized in most expense categories. 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 \$263,785 or 25.7% more than budgeted, due to an increase in water usage and getting less than average snowfall. In addition to water service charges, miscellaneous income brought in \$1,540. Non-operating revenues (consisting of property taxes, specific ownership taxes, and interest income) are less than budget by \$35,103 primarily due to tax abatements, decrease in interest income and specific ownership taxes. Overall, Proprietary Fund revenues – operating plus non-operating – came in over budget expectations by \$20,023 or 2.9%. Operating and non-operating expenses, as a whole, came in over budget by \$5,516 or .7%. Budget variances occurred in accounting and auditing for \$127. Budget savings were realized in the areas of operations and maintenance, management fees, legal, insurance, engineering, miscellaneous, contingency and all non-operating expenses. 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 \$73,274 in business-type activities (water system) and decreased by \$33,931 in governmental activities (road system). The decrease in the business-type activities (water system) and the decrease in governmental activities (road system) were due to more current-year depreciation than capital additions for 2020. 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, 2020, the District has \$352,409 in General Obligation Bonds, of which \$74,191 is carried in governmental activities (Road Fund) and \$278,218 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 1<sup>st</sup> and December 1<sup>st</sup>, 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, 2020

***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, 2020

|                                                  | Governmental<br>Activities | Business-type<br>Activities | Total               |
|--------------------------------------------------|----------------------------|-----------------------------|---------------------|
| <b>ASSETS</b>                                    |                            |                             |                     |
| Equity in pooled cash and investments            | \$ 132,014                 | \$ 492,928                  | \$ 624,942          |
| Receivables                                      |                            |                             |                     |
| Accounts receivable                              | -                          | 18,881                      | 18,881              |
| Property taxes                                   | 296,490                    | 472,135                     | 768,625             |
| Prepaid expenses                                 | 2,895                      | 6,755                       | 9,650               |
| Capital assets (net of accumulated depreciation) |                            |                             |                     |
| Capital assets                                   | 588,889                    | 2,515,499                   | 3,104,388           |
| Other assets (net of accumulated amortization)   |                            |                             |                     |
| Organization costs                               | -                          | -                           | -                   |
| Total Assets                                     | <u>1,020,288</u>           | <u>3,506,198</u>            | <u>4,526,486</u>    |
| <b>LIABILITIES</b>                               |                            |                             |                     |
| Accounts payable                                 | 16,392                     | 31,918                      | 48,310              |
| Accrued interest payable                         | 238                        | 895                         | 1,133               |
| Non-current liabilities, due within one year     |                            |                             |                     |
| Bonds payable                                    | <u>74,191</u>              | <u>278,218</u>              | <u>352,409</u>      |
| Total Liabilities                                | <u>90,821</u>              | <u>311,031</u>              | <u>401,852</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |                            |                             |                     |
| Property taxes                                   | <u>296,490</u>             | <u>472,135</u>              | <u>768,625</u>      |
| Total Deferred Inflows of Resources              | <u>296,490</u>             | <u>472,135</u>              | <u>768,625</u>      |
| <b>NET POSITION</b>                              |                            |                             |                     |
| Net investment in capital assets                 | 514,698                    | 2,237,281                   | 2,751,979           |
| Restricted for emergencies                       | 6,084                      | 4,706                       | 10,790              |
| Unrestricted                                     | 112,195                    | 481,045                     | 593,240             |
| Total Net Position                               | <u>\$ 632,977</u>          | <u>\$ 2,723,032</u>         | <u>\$ 3,356,009</u> |

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2020

| 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             | \$ 169,610        | \$ -                 | \$ -                               | \$ -                             | \$ (169,610)                                      | \$ -                     | \$ (169,610)        |
| Interest on long-term debt     | 2,784             | -                    | -                                  | -                                | (2,784)                                           | -                        | (2,784)             |
| Total governmental activities  | <u>172,394</u>    | <u>-</u>             | <u>-</u>                           | <u>-</u>                         | <u>(172,394)</u>                                  | <u>-</u>                 | <u>(172,394)</u>    |
| Business-type activities:      |                   |                      |                                    |                                  |                                                   |                          |                     |
| Water                          | 551,775           | 265,325              | -                                  | -                                |                                                   | (286,450)                | (286,450)           |
| Total business-type activities | <u>551,775</u>    | <u>265,325</u>       | <u>-</u>                           | <u>-</u>                         |                                                   | <u>(286,450)</u>         | <u>(286,450)</u>    |
| Total                          | <u>\$ 724,169</u> | <u>\$ 265,325</u>    | <u>\$ -</u>                        | <u>\$ -</u>                      | (172,394)                                         | (286,450)                | (458,844)           |
| General revenues:              |                   |                      |                                    |                                  |                                                   |                          |                     |
| Property taxes                 |                   |                      |                                    |                                  | 271,917                                           | 431,730                  | 703,647             |
| Interest earnings              |                   |                      |                                    |                                  | 819                                               | 4,419                    | 5,238               |
| Miscellaneous                  |                   |                      |                                    |                                  | 5,000                                             | -                        | 5,000               |
| Total general revenues         |                   |                      |                                    |                                  | <u>277,736</u>                                    | <u>436,149</u>           | <u>713,885</u>      |
| Change in net position         |                   |                      |                                    |                                  | 105,342                                           | 149,699                  | 255,041             |
| Net position - beginning       |                   |                      |                                    |                                  | 527,635                                           | 2,573,333                | 3,100,968           |
| Net position - ending          |                   |                      |                                    |                                  | <u>\$ 632,977</u>                                 | <u>\$ 2,723,032</u>      | <u>\$ 3,356,009</u> |

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020

|                                                                                                                               | General    | Total<br>Governmental<br>Funds |
|-------------------------------------------------------------------------------------------------------------------------------|------------|--------------------------------|
| <b>ASSETS</b>                                                                                                                 |            |                                |
| Equity in pooled cash and investments                                                                                         | \$ 132,014 | \$ 132,014                     |
| Receivables                                                                                                                   |            |                                |
| Accounts receivable                                                                                                           | -          | -                              |
| Property taxes                                                                                                                | 296,490    | 296,490                        |
| Prepaid expenses                                                                                                              | 2,895      | 2,895                          |
| Total Assets                                                                                                                  | 431,399    | 431,399                        |
| <b>LIABILITIES</b>                                                                                                            |            |                                |
| Accounts payable                                                                                                              | 16,392     | 16,392                         |
| Total Liabilities                                                                                                             | 16,392     | 16,392                         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                                                                          |            |                                |
| Property taxes                                                                                                                | 296,490    | 296,490                        |
| Total Deferred Inflows of Resources                                                                                           | 296,490    | 296,490                        |
| <b>FUND EQUITY</b>                                                                                                            |            |                                |
| Nonspendable                                                                                                                  | 2,895      | 2,895                          |
| Restricted for emergencies                                                                                                    | 6,084      | 6,084                          |
| Unassigned                                                                                                                    | 109,538    | 109,538                        |
| Total Fund Equity                                                                                                             | \$ 118,517 | \$ 118,517                     |
| Fund equity (as reported above)                                                                                               |            | \$ 118,517                     |
| Amounts reported for governmental activities in the<br>Statement of Net Position are different because:                       |            |                                |
| Capital assets, net of accumulated depreciation, are not financial resources,<br>and therefore, are not reported in the fund. |            | 588,889                        |
| Long-term debt is not due and payable in the current period, and therefore,<br>is not reported in the fund.                   |            | (74,191)                       |
| Accrued interest is not due and payable in the current period, and therefore,<br>is not reported in the fund.                 |            | (238)                          |
| Net position of governmental activities                                                                                       |            | \$ 632,977                     |

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, 2020

|                          |                                                 | General           | Total<br>Governmental<br>Funds |
|--------------------------|-------------------------------------------------|-------------------|--------------------------------|
| Revenues                 |                                                 |                   |                                |
| Taxes                    |                                                 | \$ 271,917        | \$ 271,917                     |
| Interest                 |                                                 | 819               | 819                            |
| Miscellaneous            |                                                 | 5,000             | 5,000                          |
|                          | Total revenues                                  | <u>277,736</u>    | <u>277,736</u>                 |
| Expenditures             |                                                 |                   |                                |
| General government       |                                                 | 127,341           | 127,341                        |
| Debt service             |                                                 |                   |                                |
| Principal                |                                                 | 69,300            | 69,300                         |
| Interest                 |                                                 | 5,628             | 5,628                          |
| Capital outlay           |                                                 | 8,512             | 8,512                          |
|                          | Total expenditures                              | <u>210,781</u>    | <u>210,781</u>                 |
|                          | Excess of Revenues Over<br>(Under) Expenditures | 66,955            | 66,955                         |
| Fund Balance - beginning |                                                 | 51,562            | 51,562                         |
| Fund Balance - ending    |                                                 | <u>\$ 118,517</u> | <u>\$ 118,517</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, 2020

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

|                                                                                                                                                                                                                                                                                                                               |                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Net Change in Fund Balances - Governmental Funds                                                                                                                                                                                                                                                                              | \$ 66,955                |
| 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 less than current year depreciation. (0-\$33,931) | (33,931)                 |
| 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.                                                                                                                                                                                                                                                    | 231                      |
| 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.                                                                                                                                                          | <u>69,474</u>            |
| Change in net position of governmental activities                                                                                                                                                                                                                                                                             | <u><u>\$ 105,342</u></u> |

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, 2020

|                                                 | Original & Final<br>Budget | Actual     | Variance<br>Favorable<br>(Unfavorable) |
|-------------------------------------------------|----------------------------|------------|----------------------------------------|
| Revenues                                        |                            |            |                                        |
| Property taxes                                  | \$ 280,721                 | \$ 262,822 | \$ (17,899)                            |
| Specific ownership taxes                        | 8,422                      | 9,095      | 673                                    |
| Interest earnings                               | 1,600                      | 819        | (781)                                  |
| Miscellaneous income                            | 5,000                      | 5,000      | -                                      |
| Total revenues                                  | 295,743                    | 277,736    | (18,007)                               |
| Expenditures                                    |                            |            |                                        |
| Management fees and office                      | 13,118                     | 12,711     | 407                                    |
| Accounting and auditing                         | 8,305                      | 8,652      | (347)                                  |
| Engineering                                     | 1,500                      | 499        | 1,001                                  |
| Insurance                                       | 3,194                      | 3,005      | 189                                    |
| Legal                                           | 1,950                      | -          | 1,950                                  |
| Repairs and maintenance                         | 92,909                     | 88,475     | 4,434                                  |
| Treasurer fees                                  | 14,036                     | 13,178     | 858                                    |
| Miscellaneous                                   | 1,215                      | 821        | 394                                    |
| Interest expense                                | 5,628                      | 5,628      | -                                      |
| Debt service principal                          | 69,300                     | 69,300     | -                                      |
| Contingency                                     | 18,641                     | -          | 18,641                                 |
| Capital outlay                                  | 7,650                      | 8,512      | (862)                                  |
| Total expenditures                              | 237,446                    | 210,781    | 26,665                                 |
| Excess of Revenues Over<br>(Under) Expenditures | 58,297                     | 66,955     | 8,658                                  |
| Fund balance, beginning                         | 117,554                    | 51,562     | (65,992)                               |
| Fund balance, ending                            | \$ 175,851                 | \$ 118,517 | \$ (57,334)                            |

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF NET POSITION - PROPRIETARY FUND

December 31, 2020

| ASSETS                                  |                                     |    |                         |
|-----------------------------------------|-------------------------------------|----|-------------------------|
| Current assets                          |                                     |    |                         |
| Cash and investments                    | \$                                  |    | 492,928                 |
| Receivables                             |                                     |    |                         |
| Accounts receivable                     |                                     |    | 18,881                  |
| Property taxes                          |                                     |    | 472,135                 |
| Prepaid expenses                        |                                     |    | 6,755                   |
|                                         | Total current assets                |    | <u>990,699</u>          |
| Noncurrent assets                       |                                     |    |                         |
| Organization costs, net of amortization |                                     |    | -                       |
| Capital assets, net of depreciation     |                                     |    | 2,515,499               |
|                                         | Total assets                        |    | <u>3,506,198</u>        |
| LIABILITIES                             |                                     |    |                         |
| Current liabilities                     |                                     |    |                         |
| Accounts payable                        |                                     |    | 31,918                  |
| Accrued interest payable                |                                     |    | 895                     |
| Current portion of bonds payable        |                                     |    | 278,218                 |
|                                         | Total current liabilities           |    | <u>311,031</u>          |
| DEFERRED INFLOWS OF RESOURCES           |                                     |    |                         |
| Property taxes                          |                                     |    | 472,135                 |
|                                         | Total deferred inflows of resources |    | <u>472,135</u>          |
| NET POSITION                            |                                     |    |                         |
| Net investment in capital assets        |                                     |    | 2,237,281               |
| Restricted for emergencies              |                                     |    | 4,706                   |
| Unrestricted                            |                                     |    | 481,045                 |
|                                         | Total net position                  | \$ | <u><u>2,723,032</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, 2020

|                                        | Business-type<br>Activities-<br>Enterprise Fund |
|----------------------------------------|-------------------------------------------------|
| Operating revenues                     |                                                 |
| Water service charges                  | \$ 263,785                                      |
| Miscellaneous income                   | 1,540                                           |
| Total operating revenues               | 265,325                                         |
| Operating expenses                     |                                                 |
| Operations and maintenance             | 104,186                                         |
| Depreciation and amortization          | 109,143                                         |
| Management fees                        | 33,376                                          |
| Accounting                             | 20,187                                          |
| Water quality testing                  | 5,138                                           |
| Utilities                              | 20,247                                          |
| Legal fees                             | 501                                             |
| Water augmentation                     | 210,650                                         |
| Insurance                              | 7,012                                           |
| Engineering                            | 940                                             |
| Miscellaneous expenses                 | 4,658                                           |
| Total operating expenses               | 516,038                                         |
| Operating income (loss)                | (250,713)                                       |
| Nonoperating revenues (expenses)       |                                                 |
| Taxes                                  | 431,730                                         |
| Interest income                        | 4,419                                           |
| Treasurer fees                         | (20,916)                                        |
| Interest expense                       | (10,504)                                        |
| Capital outlay                         | (4,317)                                         |
| Total nonoperating revenues (expenses) | 400,412                                         |
| Income (loss) before contributions     | 149,699                                         |
| Change in net position                 | 149,699                                         |
| Net position - beginning               | 2,573,333                                       |
| Net position - ending                  | \$ 2,723,032                                    |

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

Year ended December 31, 2020

|                                                                                                       | Business-type<br>Activities-<br>Enterprise Fund |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Cash flows from operating activities                                                                  |                                                 |
| Cash received from customers and users                                                                | \$ 250,780                                      |
| Cash paid to suppliers                                                                                | (389,137)                                       |
| Other miscellaneous receipts                                                                          | 1,540                                           |
| Net cash provided (used) by operating activities                                                      | (136,817)                                       |
| Cash flows from non-capital financing activities                                                      |                                                 |
| Property taxes                                                                                        | 431,730                                         |
| Treasurer fees                                                                                        | (20,916)                                        |
| Net cash provided (used) by non-capital financing activities                                          | 410,814                                         |
| Cash flows from capital and related financing activities                                              |                                                 |
| Interest paid                                                                                         | (21,172)                                        |
| Purchase of capital assets                                                                            | (40,186)                                        |
| Principal payments on long-term debt                                                                  | (260,526)                                       |
| Net cash provided (used) by capital and related financing activities                                  | (321,884)                                       |
| Cash flow from investing activities                                                                   |                                                 |
| Investment income received                                                                            | 4,419                                           |
| Net cash provided (used) by investing activities                                                      | 4,419                                           |
| Net increase (decrease) in cash                                                                       | (43,468)                                        |
| Cash - beginning                                                                                      | 536,396                                         |
| Cash - ending                                                                                         | \$ 492,928                                      |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities:        |                                                 |
| Operating income (loss)                                                                               | \$ (250,713)                                    |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                                                 |
| Depreciation and amortization                                                                         | 109,143                                         |
| (Increase) decrease in accounts receivable                                                            | (13,005)                                        |
| (Increase) decrease in prepaid expenses                                                               | (222)                                           |
| Increase (decrease) in accounts payable                                                               | 17,980                                          |
| Total adjustments                                                                                     | 113,896                                         |
| Net cash provided (used) by operating activities                                                      | \$ (136,817)                                    |

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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**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, 2020

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**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, 2020

---

**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, 2020

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**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, 2020

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**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 2020 budget year, prior to August 25, 2019, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2019, 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 2020 budget, prior to December 15, 2019, 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 2020 budget, the final budget and appropriating resolution was adopted prior to December 31, 2019.
- (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 had no supplemental appropriations for 2020.

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

The Water fund had expenses in excess of appropriations of \$4,416 which may be a violation of State budgetary law.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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**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 2020, collectible in 2021, were certified by the Pitkin County Commissioners before December 31, 2020. Property taxes attached as an enforceable lien on January 1, 2021 and are due in total April 30, 2021 or in equal installments February 28, 2021 and June 15, 2021, at the option of the taxpayer. Property taxes for 2020, collectible in 2021, 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, 2020

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**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, 2020

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**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 \$54,675 and the bank balance was \$54,143. 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, 2020, the District had \$570,267 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, 2020

**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                                    | \$ 54,675         |
| Investments                                 | <u>570,267</u>    |
| Total equity in pooled cash and investments | <u>\$ 624,942</u> |

**NOTE C – CAPITAL ASSETS**

A summary of changes in capital assets follows:

|                                                 | Balance<br>12/31/19 | Additions          | Dispositions | Balance<br>12/31/20 |
|-------------------------------------------------|---------------------|--------------------|--------------|---------------------|
| Governmental activities                         |                     |                    |              |                     |
| Road system                                     | \$ 1,011,986        | \$ –               | \$ –         | \$ 1,011,986        |
| Less: accumulated depreciation                  | <u>(389,166)</u>    | <u>(33,931)</u>    | <u>–</u>     | <u>(423,097)</u>    |
| Governmental activities<br>capital assets, net  | <u>\$ 622,820</u>   | <u>\$ (33,931)</u> | <u>\$ –</u>  | <u>\$ 588,889</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<br>depreciated   | 101,989             | –                  | –            | 101,989             |
| Capital assets being depreciated                |                     |                    |              |                     |
| Water system                                    | 4,042,706           | 35,869             | –            | 4,078,575           |
| Less: accumulated depreciation                  | <u>(1,555,922)</u>  | <u>(109,143)</u>   | <u>–</u>     | <u>(1,665,065)</u>  |
| Total capital assets being<br>depreciated       | <u>2,486,784</u>    | <u>(73,274)</u>    | <u>–</u>     | <u>2,413,510</u>    |
| Business-type activities<br>capital assets, net | <u>\$ 2,588,773</u> | <u>\$ (73,274)</u> | <u>\$ –</u>  | <u>\$ 2,515,499</u> |

Depreciation expense for the governmental activities and business-type activities for 2020 was \$33,931 and \$109,143, respectively. All governmental activity depreciation is allocated to the general government function.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

**NOTE D – LONG-TERM OBLIGATIONS**

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

|                                | Balance<br>12/31/19 | Additions | Reductions   | Balance<br>12/31/20 | Amounts<br>Due Within<br>One Year |
|--------------------------------|---------------------|-----------|--------------|---------------------|-----------------------------------|
| General Obligation Bonds:      |                     |           |              |                     |                                   |
| Governmental activities        |                     |           |              |                     |                                   |
| Bonds                          | \$ 141,052          | \$ —      | \$ (69,474)  | \$ 71,578           | \$ 71,578                         |
| Bond premium                   | 5,226               | —         | (2,613)      | 2,613               | 2,613                             |
| Total governmental activities  | 146,278             | —         | (72,087)     | 74,191              | 74,191                            |
| Business-type activities       |                     |           |              |                     |                                   |
| Bonds                          | 528,948             | —         | (260,526)    | 268,422             | 268,422                           |
| Bond premium                   | 19,595              | —         | (9,799)      | 9,796               | 9,796                             |
| Total business-type activities | 548,543             | —         | (270,325)    | 278,218             | 278,218                           |
| Total General Obligation Bonds | \$ 694,821          | \$ —      | \$ (342,412) | \$ 352,409          | \$ 352,409                        |

**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>      |
|-------------|-------------------|------------------|-------------------|
| 2021        | \$ 340,000        | \$ 13,600        | \$ 353,600        |
|             | <u>\$ 340,000</u> | <u>\$ 13,600</u> | <u>\$ 353,600</u> |

The reconciliation of general obligation bonds outstanding as of December 31, 2020 and future debt service requirements disclosed in the schedule immediately preceding this reconciliation follows:

|                                                      |                   |
|------------------------------------------------------|-------------------|
| Principal portion of total debt service requirements | \$ 340,000        |
| Bond premium                                         | 12,409            |
| Total general obligation debt outstanding            | <u>\$ 352,409</u> |

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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**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, 2020.

**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, 2019 (latest information available) is as follows:

|                                  |                       |
|----------------------------------|-----------------------|
| Assets                           | <u>\$ 55,602,023</u>  |
| Liabilities                      | \$ 33,163,342         |
| Capital and surplus              | <u>22,438,681</u>     |
| Total                            | <u>\$ 55,602,023</u>  |
| Revenues                         | \$ 22,436,944         |
| Investment income and other      | <u>1,173,628</u>      |
| Total revenue                    | <u>23,610,572</u>     |
| Expenses                         | <u>25,355,739</u>     |
| Excess of revenues over expenses | <u>\$ (1,745,167)</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, 2020

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**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, 2019, a reserve of \$6,084 was required for the General Fund and \$4,706 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, 2020

|                                                                 | Original & Final<br>Budget | Actual     | Variance<br>Favorable<br>(Unfavorable) |
|-----------------------------------------------------------------|----------------------------|------------|----------------------------------------|
| Operating revenues                                              |                            |            |                                        |
| Water service charges                                           | \$ 209,899                 | \$ 263,785 | \$ 53,886                              |
| Miscellaneous income                                            | 300                        | 1,540      | 1,240                                  |
| Total operating revenues                                        | 210,199                    | 265,325    | 55,126                                 |
| Operating expenses                                              |                            |            |                                        |
| Operations and maintenance                                      | 267,040                    | 340,221    | (73,181)                               |
| Management fees and office                                      | 33,904                     | 33,376     | 528                                    |
| Accounting and auditing                                         | 20,060                     | 20,187     | (127)                                  |
| Legal                                                           | 4,550                      | 501        | 4,049                                  |
| Insurance                                                       | 7,454                      | 7,012      | 442                                    |
| Engineering                                                     | 4,000                      | 940        | 3,060                                  |
| Miscellaneous expenses                                          | 4,675                      | 4,658      | 17                                     |
| Contingency                                                     | 46,461                     | -          | 46,461                                 |
| Total operating expenses                                        | 388,144                    | 406,895    | (18,751)                               |
| Excess of operating revenues<br>over (under) operating expenses | (177,945)                  | (141,570)  | 36,375                                 |
| Nonoperating revenues                                           |                            |            |                                        |
| Property taxes, less abatements                                 | 443,885                    | 417,348    | (26,537)                               |
| Specific ownership taxes                                        | 13,317                     | 14,382     | 1,065                                  |
| Interest income                                                 | 14,050                     | 4,419      | (9,631)                                |
| Total nonoperating revenues                                     | 471,252                    | 436,149    | (35,103)                               |
| Nonoperating expenses                                           |                            |            |                                        |
| Treasurer fees                                                  | 22,194                     | 20,916     | 1,278                                  |
| Interest expense                                                | 21,172                     | 20,303     | 869                                    |
| Debt service principal                                          | 260,700                    | 260,526    | 174                                    |
| Capital outlay                                                  | 51,500                     | 40,186     | 11,314                                 |
| Total nonoperating expenses                                     | 355,566                    | 341,931    | 13,635                                 |
| Excess of revenues<br>over (under) expenses                     | \$ (62,259)                | (47,352)   | \$ 14,907                              |
| Adjustments to GAAP basis                                       |                            |            |                                        |
| Amortization of bond premium                                    |                            | 9,799      |                                        |
| Depreciation and amortization                                   |                            | (109,143)  |                                        |
| Capital outlay (capitalized)                                    |                            | 35,869     |                                        |
| Debt service principal                                          |                            | 260,526    |                                        |
| Change in net position                                          |                            | \$ 149,699 |                                        |

## OTHER INFORMATION

Buttermilk Metropolitan District

SCHEDULE OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED

December 31, 2020

| Calendar<br>Year Ended<br>December 31 | Prior Year                                                  |        | Mills<br>Levied | Total Property Taxes |           | Percent<br>Collected<br>to Levied |
|---------------------------------------|-------------------------------------------------------------|--------|-----------------|----------------------|-----------|-----------------------------------|
|                                       | Assessed Valuation<br>for Current Year<br>Property Tax Levy | 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         | 253,105              | 100.00%   |                                   |
| 2020                                  | 41,416,500                                                  | 6.778  | 280,721         | 280,940              | 100.00%   |                                   |
| 2021                                  | 39,400,750                                                  | 7.525  | 296,490         |                      |           |                                   |
| 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         | 422,166              | 99.63%    |                                   |
| 2020                                  | 46,494,650                                                  | 9.547  | 443,885         | 442,732              | 99.74%    |                                   |
| 2021                                  | 44,858,460                                                  | 10.525 | 472,135         |                      |           |                                   |

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.