

**BUFFALO MOUNTAIN
METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS
December 31, 2022**



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Independent Auditor's Report	a - c
Management's Discussion and Analysis	i - iv
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Statement of Net Position - Proprietary Fund	5
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	6
Statement of Cash Flows - Proprietary Fund	7
Notes to Financial Statements	8 - 21
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	22
Notes to Required Supplementary Information	23
Other Information	
Budgetary Comparison Schedule - Water and Sewer Utility Fund	24



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Buffalo Mountain Metropolitan District
Summit County, Colorado

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Buffalo Mountain Metropolitan District (the "District") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Buffalo Mountain Metropolitan District as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Buffalo Mountain Metropolitan District, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Buffalo Mountain Metropolitan District's basic financial statements.

The accompanying budgetary comparison schedule for the water and sewer utility fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule of the water and sewer utility fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule of the water and sewer utility fund is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Logan and Associates, LLC

Aurora, Colorado
September 19, 2023

BUFFALO MOUNTAIN METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2022

This management's discussion and analysis of the Buffalo Mountain Metropolitan District's financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

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

Fund Financial Statements

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2022

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

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's net position for the fiscal years 2022 and 2021.

	2022			2021		
	Governmental		Business-Type	Governmental		Business-Type
	Activities	Activities	Total	Activities	Activities	Total
<u>Assets:</u>						
Current Assets	3,387,795	(300,099)	3,087,696	2,680,439	819,227	3,499,666
Investments - Long Term	-	1,760,000	1,760,000	-	1,280,000	1,280,000
Investment in Joint Venture	-	2,606,356	2,606,356	-	2,547,189	2,547,189
Capital & Right of Use Assets, Net	2,822,878	8,278,381	11,101,259	3,050,790	7,973,116	11,023,906
Total Assets	6,210,673	12,344,638	18,555,311	5,731,229	12,619,532	18,350,761
<u>Liabilities and Deferred Inflows:</u>						
Current Liabilities	-	186,575	186,575	-	322,444	322,444
Non Current Liabilities	-	2,732,757	2,732,757	-	2,686,967	2,686,967
Deferred Inflows	1,298,172	-	1,298,172	1,230,557	-	1,230,557
Total Liabilities & Deferred Inflows	1,298,172	2,919,332	4,217,504	1,230,557	3,009,411	4,239,968
<u>Net Position:</u>						
Invested in Capital Assets,	2,822,878	5,555,079	8,377,957	3,050,790	5,159,064	8,209,854
Restricted for Emergencies	61,800	-	61,800	44,100	-	44,100
Restricted for Debt Service	-	195,872	195,872	-	167,005	167,005
Unrestricted	2,027,823	3,674,355	5,702,178	1,405,782	4,284,052	5,689,834
Total Net Position	4,912,501	9,425,306	14,337,807	4,500,672	9,610,121	14,110,793

A substantial portion of the District's assets consist of current assets. Additionally, the District has a substantial investment in long term investments and in a joint venture and in capital assets. The District has long term liabilities of approximately \$2,700,000. The District's net position increased \$227,014 during 2022 as a result of a surplus of revenues over expenses in the governmental activities.

Statement of Activities

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2022

property and sales taxes, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2022 and 2021.

	2022			2021		
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<u>Revenues:</u>						
General Revenues:						
Taxes	1,890,995	-	1,890,995	1,346,345	-	1,346,345
Investment Income	35,306	27,471	62,777	16,185	26,673	42,858
Miscellaneous Income	22,271	46,217	68,488	-	53,324	53,324
Program Revenues:						
Charges for Services	500	1,708,597	1,709,097	500	1,633,419	1,633,919
Grants and Contributions	123,810	34,164	157,974	117,584	54,211	171,795
Total Revenues	2,072,882	1,816,449	3,889,331	1,480,614	1,767,627	3,248,241
<u>Program Expenses:</u>						
General Government	290,836	-	290,836	255,584	-	255,584
Public Works	1,196,511	-	1,196,511	1,271,660	-	1,271,660
Parks and Recreation	173,706	-	173,706	196,018	-	196,018
Water and Sewer Utility	-	1,946,454	1,946,454	-	1,883,837	1,883,837
Interest on Long-term debt	-	54,810	54,810	-	58,153	58,153
Total Expenses	1,661,053	2,001,264	3,662,317	1,723,262	1,941,990	3,665,252
Change in Net Position	411,829	(184,815)	227,014	(242,648)	(174,363)	(417,011)
Net Positon - beginning of year	4,500,672	9,610,121	14,110,793	4,743,320	9,784,484	14,527,804
Net Position - end of year	4,912,501	9,425,306	14,337,807	4,500,672	9,610,121	14,110,793

The District's two primary sources of revenues are from taxes and from charges for services. These revenues are used to pay the cost of the general government and the cost of the water and sewer utility activities. The District's tax revenues have increased substantially as the result of implementation of a sales tax but operating expenses have also increased significantly. The District increased water and sewer user fees in 2023 to help cover the increased operating expenses.

THE DISTRICT'S FUNDS

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

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

The General Fund ending fund balance increased from \$1,449,882 to \$2,089,623 during the fiscal year ended December 31, 2022. This represents a surplus of current period revenues (financial sources) over current period expenditures (financial uses). This is primarily due to implementation of the sales tax. The General Fund generated \$2,072,882 in revenues and incurred \$1,433,141 in expenditures during 2022. The

BUFFALO MOUNTAIN METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2022

ending fund balance in the governmental fund of \$2,089,623 is the amount of net resources available for future spending.

The fund level financial statements for the proprietary fund provides the same type of information found in the government-wide financial statements but in more detail. The total net position in the proprietary fund decreased \$184,815 during 2022 as a result of the District not generating sufficient surplus on operations to cover the capital asset depreciation.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 1* of the notes to required supplementary information. The major differences in actual expenses compared to budget come from cost savings related to public works and capital project expenditures.

CAPITAL ASSETS

During 2022, the District recorded no capital asset additions in its governmental activities and recorded depreciation expense of \$227,912 resulting in a net decrease in capital assets of that amount. These changes bring the year end net capital asset balance in the governmental activities to \$2,822,878. The business-type activities had net capital additions of \$639,061. The business-type activities recorded net depreciation expense of \$370,130, bringing the year end net capital asset balance to \$8,242,047. *See Note 4 Capital Assets* for additional details.

LONG-TERM DEBT

On March 1, 2019, the District entered into a \$3,000,000 loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) for the construction of a water tank, pump station, distribution lines and telemetry equipment. Principal and interest payments of \$91,367 are due semi-annually, commencing on November 1, 2020 through May 1, 2040. Interest accrues at 2% per annum. Principal payments were made in 2022 in the amount of \$127,084 bringing the outstand balance of the loan to \$2,686,968 at December 31, 2022. *See Note 5 Long-Term Debt* for additional details.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2022

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Cash and Investments	\$ 1,164,987	\$ -	\$ 1,164,987
Internal Balances	762,608	(762,608)	-
Accounts Receivable	27,958	414,983	442,941
Accounts Receivable - County Treasurer	4,535	-	4,535
Accounts Receivable - Sales Taxes	129,535	-	129,535
Apartment Lease Receivable - Current	34,358	-	34,358
Accrued Interest Receivable	-	3,864	3,864
Taxes Receivable	1,189,734	-	1,189,734
Prepaid Expenses	-	6,005	6,005
Inventory	-	3,732	3,732
Deposit - Wetlands Compliance	-	33,925	33,925
Investments - Longterm	-	1,760,000	1,760,000
Apartment Lease Receivable - Long-term	74,080	-	74,080
Investment in Silverthorne/Dillon Joint Sewer Authority	-	2,606,356	2,606,356
Right-of-Use - Tower Lease, Net of Accumulated Amortization	-	36,334	36,334
Capital Assets, Not Being Depreciated	-	501,315	501,315
Capital Assets, Net of Accumulated Depreciation	2,822,878	7,740,732	10,563,610
TOTAL ASSETS	6,210,673	12,344,638	18,555,311
LIABILITIES			
Accounts Payable	-	177,618	177,618
Accrued Interest Payable	-	8,957	8,957
Noncurrent Liabilities			
Due Within One Year	-	138,757	138,757
Due In More Than One Year	-	2,594,000	2,594,000
TOTAL LIABILITIES	-	2,919,332	2,919,332
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	1,189,734	-	1,189,734
Apartment Lease Revenue	108,438	-	108,438
TOTAL DEFERRED INFLOWS OF RESOURCES	1,298,172	-	1,298,172
NET POSITION			
Net Investment in Capital Assets	2,822,878	5,555,079	8,377,957
Restricted for Emergencies	61,800	-	61,800
Restricted for Debt Service	-	195,872	195,872
Unrestricted	2,027,823	3,674,355	5,702,178
TOTAL NET POSITION	\$ 4,912,501	\$ 9,425,306	\$ 14,337,807

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

THIS PAGE INTENTIONALLY LEFT BLANK

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES Year Ended December 31, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 290,836	\$ -	\$ -	\$ -
Public Works	1,196,511	500	111,832	-
Parks and Recreation	173,706	-	11,978	-
Total Governmental Activities	1,661,053	500	123,810	-
Business-Type Activities				
Water and Sewer Utility	1,946,454	1,708,597	-	34,164
Interest on Long-term Debt	54,810	-	-	-
Total Business-Type Activities	2,001,264	1,708,597	-	34,164
TOTAL PRIMARY GOVERNMENT	\$ 3,662,317	\$ 1,709,097	\$ 123,810	\$ 34,164
GENERAL REVENUES				
Property Taxes				
Sales Taxes				
Specific Ownership Taxes				
Investment Income				
Apartment Rent				
Miscellaneous				
TOTAL GENERAL REVENUES				
CHANGE IN NET POSITION				
NET POSITION, Beginning				
NET POSITION, Ending				

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

NET (EXPENSE) REVENUE AND
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
\$ (290,836)	\$ -	\$ (290,836)
(1,084,179)	-	(1,084,179)
(161,728)	-	(161,728)
(1,536,743)	-	(1,536,743)
-	(203,693)	(203,693)
-	(54,810)	(54,810)
-	(258,503)	(258,503)
(1,536,743)	(258,503)	(1,795,246)
1,235,174	-	1,235,174
596,832	-	596,832
58,989	-	58,989
35,306	27,471	62,777
19,265	-	19,265
3,006	46,217	49,223
1,948,572	73,688	2,022,260
411,829	(184,815)	227,014
4,500,672	9,610,121	14,110,793
\$ 4,912,501	\$ 9,425,306	\$ 14,337,807

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

BALANCE SHEET GOVERNMENTAL FUND December 31, 2022

	GENERAL FUND
ASSETS	
Cash and Investments	\$ 1,164,987
Due from Water and Sewer Utility Fund	762,608
Accounts Receivable	27,958
Accounts Receivable - County Treasurer	4,535
Taxes Receivable	
Property	1,189,734
Sales	129,535
Apartment Lease Receivable	108,438
TOTAL ASSETS	\$ 3,387,795
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	\$ 1,189,734
Apartment Lease Revenue	108,438
TOTAL DEFERRED INFLOWS OF RESOURCES	1,298,172
FUND BALANCE	
Restricted for Emergencies	61,800
Unassigned	2,027,823
TOTAL FUND BALANCE	2,089,623
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,387,795

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

Total Fund Balance of the Governmental Fund	\$ 2,089,623
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
	2,822,878
Total Net Position of Governmental Activities	
	\$ 4,912,501

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND Year Ended December 31, 2022

	<u>GENERAL FUND</u>
REVENUES	
Taxes	
Property Taxes	\$ 1,235,174
Sales Taxes	596,832
Specific Ownership Taxes	58,989
Intergovernmental	
Conservation Trust	11,978
County Road and Bridge	111,832
Charges for Services	500
Apartment Rent	22,750
Investment Income	31,821
	<u>31,821</u>
TOTAL REVENUES	<u>2,072,882</u>
EXPENDITURES	
Current	
General Government	281,370
Public Works	1,141,027
Parks and Recreation	1,278
Capital Outlay	9,466
	<u>9,466</u>
TOTAL EXPENDITURES	<u>1,433,141</u>
NET CHANGE IN FUND BALANCE	639,741
FUND BALANCE, Beginning	<u>1,449,882</u>
FUND BALANCE, Ending	<u><u>\$ 2,089,623</u></u>

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

Net Change in Fund Balance of the Governmental Fund	\$ 639,741
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of current year depreciation expense (\$227,914) exceeded capital outlay \$21,688.	<u>(227,912)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 411,829</u></u>

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND December 31, 2022

	<u>WATER AND SEWER UTILITY FUND</u>
ASSETS	
Current Assets	
Cash and Investments	\$ -
Accounts Receivable	414,983
Accrued Interest Receivable	3,864
Prepaid Expenses	6,005
Inventory	3,732
Deposit - Wetlands Compliance	33,925
Total Current Assets	<u>462,509</u>
Noncurrent Assets	
Investments - Longterm	1,760,000
Investment in Silverthorne/Dillon Joint Sewer Authority	2,606,356
Right-of-Use Tower Lease, Net of Accumulated Amortization	36,334
Capital Assets, Not Being Depreciated	501,315
Capital Assets, Net of Accumulated Depreciation	7,740,732
Total Noncurrent Assets	<u>12,644,737</u>
TOTAL ASSETS	<u>13,107,246</u>
LIABILITIES	
Current Liabilities	
Accounts and Retainage Payable	177,618
Due to General Fund	762,608
Accrued Interest Payable	8,957
Tower Lease Payable	1,649
Loan Payable	129,639
Compensated Absences Payable	7,469
Total Current Liabilities	<u>1,087,940</u>
Noncurrent Liabilities	
Tower Lease Payable	36,671
Loan Payable	2,557,329
Total Current Liabilities	<u>2,594,000</u>
TOTAL LIABILITIES	<u>3,681,940</u>
NET POSITION	
Invested in Capital Assets	5,555,079
Restricted for Debt Service	195,872
Unrestricted	3,674,355
TOTAL NET POSITION	<u>\$ 9,425,306</u>

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND Year Ended December 31, 2022

	WATER AND SEWER UTILITY FUND
OPERATING REVENUES	
Charges for Services	\$ 1,708,597
TOTAL OPERATING REVENUES	<u>1,708,597</u>
OPERATING EXPENSES	
Water Operations	626,731
Sewer Operations	717,709
Administration and General	229,997
Amortization	1,887
Depreciation	<u>370,130</u>
TOTAL OPERATING EXPENSES	<u>1,946,454</u>
OPERATING INCOME	<u>(237,857)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	27,471
Net Income from Joint Sewer Authority	46,217
Grant Income	27,324
Loan Interest	<u>(54,810)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>46,202</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	(191,655)
CAPITAL CONTRIBUTIONS	
Tap Fees	<u>6,840</u>
TOTAL CAPITAL CONTRIBUTIONS	6,840
CHANGE IN NET POSITION	(184,815)
NET POSITION, Beginning	<u>9,610,121</u>
NET POSITION, Ending	<u><u>\$ 9,425,306</u></u>

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2022

	<u>WATER AND SEWER UTILITY FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 1,688,045
Cash Payments to Employees	(114,978)
Cash Payments to Suppliers	<u>(1,441,418)</u>
Net Cash Provided by Operating Activities	<u>131,649</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Payments by General Fund	<u>762,608</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Property, Plant and Equipment	(639,061)
Tap Fees Received	6,840
Grant Income	27,324
Right-of-Use Tower Lease(net)	(38,221)
Tower Lease Liability	38,320
CWRPDA Loan Principal	(127,084)
CWRPDA Loan Interest	<u>(55,648)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(787,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (Purchase) of Investments	(480,000)
Interest Received	<u>29,722</u>
Net Cash Provided (Used) by Investing Activities	<u>(450,278)</u>
Increase (Decrease) in Cash and Cash Equivalents	(343,551)
CASH AND CASH EQUIVALENTS, Beginning	<u>343,551</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ (237,857)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Amortization	1,887
Depreciation	370,130
Net Income from Sewer Operations in Joint Sewer Authority	(12,950)
Changes in Assets and Liabilities	
Accounts Receivable	(20,552)
Prepaid Expenses	31,196
Inventory	272
Accounts Payable	2,857
Compensated Absences Payable	<u>(3,334)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 131,649</u></u>

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the year ended December 31, 2022, the District adopted GASB Statement No. 87 *Leases*. Adoption of this statement revised and established new reporting requirements for lease accounting based on the principle that leases are a financing of the right-of-use of a leased asset. In addition, the standard establishes requirements for lessors to recognize a lease receivable and deferred inflow of resources for future lease revenue to be reported in the financial statements. A summary of the District's more significant policies follows.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The District also reports the following major proprietary fund:

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

Assets, Liabilities and Net Position/Fund Balance

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

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

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

Deposits – Wetland Compliance – A deposit was paid to Summit County for wetlands restoration in relation to the District's 2020 sewer project.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Buildings and Improvements	20 - 30 years
Infrastructure	15 years
Pedestrian/Bike Path	30 years
Water and Sewer Systems	20 - 40 years
Equipment	5 years

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

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property Taxes

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

Use of Estimates

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

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2022 through September 19, 2023, the date of these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2022, follows:

Petty Cash	\$ 200
Deposits	1,824,368
Investments	<u>1,100,419</u>
Total	<u>\$ 2,924,987</u>

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2: CASH AND INVESTMENTS (Continued)

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

Cash and Investments	\$ 1,164,987
Investments – Long-term	<u>1,760,000</u>
Total	<u>\$ 2,924,987</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2022, the District had bank deposits totaling \$1,829,411, all of which were FDIC.

Investments

During 2022, the District adopted a formal investment policy. The primary objectives of the investment policy are:

- Safety of Principal – The primary objective is to protect against loss of any principal
- Liquidity – Investments will be managed to ensure that funds are available to meet obligations as necessary.
- Yield – Investments will be managed to optimize returns within the appropriate safety and liquidity constraints.

The “prudent investor” standard shall be used which states: “Investments shall be made with judgement and care, under circumstances then prevailing, which person of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for preservation, considering the probable safety of their capital as well as the probable income to be derived.”

The District follows State statutes regarding investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. The District’s list of eligible investments include:

- U.S. Government Obligations, U.S. Government agency obligations, and U.S. Government instrumentality obligations
- Bank/U.S. Government Repurchase Agreements
- Money market mutual funds registered with the U.S. Securities Exchange Commission (SEC) as a money market mutual fund in compliance with SEC Rule 2a-7, and which maintains a stable Net Asset Value (NAV)

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

- Interest-bearing bank accounts or certificates of deposit or checking accounts, either fully insured by the FDIC or PDPA eligible public depositories
- Colorado local government investment pools
- Any other investments authorized by Colorado statute provided such investment(s) is/are approved by the District's Board of Directors

The maturity of the securities shall be structured to avoid undue concentration in any sector of the yield curve. No investment shall exceed five (5) years. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows and as approved by the Board.

At December 31, 2022, the District had the following investments:

	<u>Maturity</u>	<u>2022</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	\$ 1,098,833
COLOTRUST EDGE	Weighted Average 6-12 months	<u>1,586</u>
Total		<u>\$ 1,100,419</u>

The District invested in the Colorado Government Liquid Asset Trust (COLOTRUST) (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+ and COLOTRUST EDGE. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00, except for COLOTRUST EDGE, which strives to obtain a net asset value of \$10/share. The portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ and COLOTRUST EDGE may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PLUS+ is rated AAA by Standard and Poor's. COLOTRUST EDGE is rated AA+ by FitchRatings. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3: INVESTMENT IN SILVERTHORNE/DILLON JOINT SEWER AUTHORITY

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

The District currently owns 2,188 equivalent residential units or 20.0% of the reserved capacity in the plant. The District's equity ownership in the Authority, based on the Authority's most recent completed audit, December 31, 2022, was 15.88% or \$2,606,356, which is reported in the financial statements as Investment in Silverthorne/Dillon Joint Sewer Authority.

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

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022, is summarized below:

	Balances 12/31/2021	Additions	Deletions	Balances 12/31/2022
Governmental Activities:				
Capital Assets, being depreciated				
Buildings and improvements	\$ 1,053,848	\$ -	\$ -	\$ 1,053,848
Infrastructure - Storm Drainage	283,403	-	-	283,403
Pedestrian/Bike path	5,172,834	-	-	5,172,834
Total Capital Assets, being depreciated	<u>6,510,085</u>	<u>-</u>	<u>-</u>	<u>6,510,085</u>
Less accumulated depreciation				
Buildings and improvements	(368,350)	(36,592)	-	(404,942)
Infrastructure - Storm Drainage	(181,152)	(18,893)	-	(200,045)
Pedestrian/Bike path	(2,909,793)	(172,427)	-	(3,082,220)
Total accumulated depreciation	<u>(3,459,295)</u>	<u>(227,912)</u>	<u>-</u>	<u>(3,687,207)</u>
Governmental Activities Capital Assets, net	<u><u>\$ 3,050,790</u></u>	<u><u>\$ (227,912)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,822,878</u></u>

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4: CAPITAL ASSETS (Continued)

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

Governmental Activities	
Public Works	\$ 55,485
Parks and Recreation	<u>172,427</u>
Total	<u>\$ 227,912</u>

	<u>Balances</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2022</u>
Business-type Activities:				
Capital Assets, not being depreciated				
Land	\$ 309,742	\$ -	\$ -	\$ 309,742
Water rights	191,573	-	-	191,573
Total Capital Assets, not being depreciated	<u>501,315</u>	<u>-</u>	<u>-</u>	<u>501,315</u>
Capital Assets, being depreciated				
Buildings and improvements	1,226,937	-	-	1,226,937
Water and Sewer Systems	10,766,905	612,559	-	11,379,464
Equipment	315,029	26,502	-	341,531
Total Capital Assets, being depreciated	<u>12,308,871</u>	<u>639,061</u>	<u>-</u>	<u>12,947,932</u>
Less accumulated depreciation				
Buildings and improvements	(711,854)	(50,704)	-	(762,558)
Water and Sewer Systems	(3,989,326)	(287,629)	-	(4,276,955)
Equipment	(135,890)	(31,797)	-	(167,687)
Total accumulated depreciation	<u>(4,837,070)</u>	<u>(370,130)</u>	<u>-</u>	<u>(5,207,200)</u>
Total Capital Assets, being depreciated, net	<u>7,471,801</u>	<u>268,931</u>	<u>-</u>	<u>7,740,732</u>
Business-type Activities Capital Assets, net	<u>\$ 7,973,116</u>	<u>\$ 268,931</u>	<u>\$ -</u>	<u>\$ 8,242,047</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2022:

	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Due Within</u> <u>One Year</u>
Business-type Activities					
2019 Water Loan	\$ 2,814,052	\$ -	\$ 127,084	\$ 2,686,968	\$ 129,639
Compensated absences	10,803	-	3,334	7,469	7,469
	<u>\$ 2,824,855</u>	<u>\$ -</u>	<u>\$ 130,418</u>	<u>\$ 2,694,437</u>	<u>\$ 137,108</u>

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 5: LONG-TERM DEBT (Continued)

Water Loan

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

The water loan is payable solely from revenues of the District's water utility system, after deducting operation and maintenance costs. During the year ended December 31, 2022, net revenues of \$208,841 were available to pay annual debt service of \$182,734. Remaining debt service at December 31, 2022 was \$3,380,571.

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 129,639	\$ 53,095	\$ 182,734
2024	132,245	50,489	182,734
2025	134,903	47,831	182,734
2026	137,615	45,119	182,734
2027	140,381	42,353	182,734
2028 – 2032	745,380	168,288	913,668
2033 – 2037	823,363	90,305	913,668
2038 – 2040	<u>443,442</u>	<u>13,390</u>	<u>456,832</u>
Total	<u>\$ 2,686,968</u>	<u>\$ 510,870</u>	<u>\$ 3,197,838</u>

A provision of the loan requires the net revenues (total revenues less operating and maintenance expenses) be at least 110% of the annual debt service due in any one year. During the year ended December 31, 2022, the District complied with this covenant.

Additionally, the loan requires the District to maintain an operations and maintenance reserve fund in an amount equal to three months of operations and maintenance expenses, excluding debt service and depreciation expense, as set forth in the annual budget for the current fiscal year. Accordingly, the District has restricted \$195,872 of the Water and Sewer Utility Fund's net position, calculated as follows:

	<u>2022 Budget</u>
Total Water Utility Expenditures	\$ 770,351
Less Debt Service	<u>(182,734)</u>
Operations and Maintenance Expenditures	<u>\$ 587,617</u>
3 Months of Operations and Maintenance	<u>\$ 195,872</u>

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 6: APARTMENT LEASE

On June 1, 2022, the District entered into an agreement for leasing the apartment located at 104 Adams Avenue to a private company (the "Company"). The lease term coincides with the Operations Agreement between the District and the Company, which ends on 12/31/2023, with the option of renewal for two additional one year periods ending 12/31/2025. Monthly rent of \$3,250 is deducted from the District's monthly payment of the Company's Operations Agreement invoice. At the lease inception on June 1, 2022, the District recorded in its accounting records, an apartment lease receivable and deferred inflows of resources – apartment lease revenue of \$127,703, each. For the year ended December 31, 2022, the District reported lease revenue of \$19,265 and lease interest income of \$3,485. At December 31, 2022, the District's Statement of Net Position - Governmental Activities reported an apartment lease receivable – current portion and long-term portion of \$34,358 and \$74,080, respectively, and deferred inflows of resources – apartment lease revenue of \$108,438.

NOTE 7: RIGHT-OF-USE – TOWER LEASE

On April 1, 2017, the District entered into an antenna site license agreement (radio lease) for the District's water distribution system's telemetry to transmit to the District office. Payments of \$200 are due monthly, for 25 years, through March of 2042. The value of the right-of-use – tower lease, based on the present value of future lease payments, was \$47,186, with accumulated amortization of \$10,852 at December 31, 2022. The total lease liability, based on the future value of lease payments, was \$47,186, with a balance of \$38,320 at December 31, 2022. The interest rate was based on the PIMCO municipal rates at 2% per annum. The District recognized amortization expense of \$1,887 and interest expense of \$784, for the year ended December 31, 2022. Following is the require future lease payments as of December 31, 2022:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,649	751	2,400
2024	1,682	718	2,400
2025	1,716	684	2,400
2026	1,751	649	2,400
2027	1,786	614	2,400
2028 – 2032	9,485	2,515	12,000
2033 – 2037	10,481	1,519	12,000
2038 – 2042	9,770	430	10,200
Total	<u>\$ 38,320</u>	<u>\$ 7,880</u>	<u>\$ 46,200</u>

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 8: MESA CORTINA SUBDIVISION AGREEMENT

The District has an agreement with Mesa Cortina Water and Sanitation District (MCWSD) to provide water and sewer services to the Mesa Cortina Subdivision (Mesa Cortina). The District receives monthly fees to provide water and sewer transmission service. MCWSD is responsible for the operations and maintenance of Mesa Cortina. The District has agreed to provide water and sewer services to Mesa Cortina in perpetuity. During 2022, the District received \$77,439 in water and sewer fees from Mesa Cortina.

NOTE 9: RETIREMENT COMMITMENTS

Deferred Compensation Plan

The District has established a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by ICMARC. Eligible employees may participate in the Plan at their option. The District matched 100% of the eligible employees' contributions, up to 2% and 10% of their covered salary. During the year ended December 31, 2022, the District contributed \$10,580 to the Plan.

NOTE 10: RISK MANAGEMENT

Public Entity Risk Pool

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

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

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

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 10: RISK MANAGEMENT (Continued)

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

NOTE 11: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

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

The District has established an emergency reserve, representing 3% of qualifying fiscal year spending, as required by the Amendment. At December 31, 2022, the emergency reserve of \$61,800 was reported as a restriction of fund balance in the General Fund.

Grant Programs

The District participated in a grant program that is fully or partially funded by federal or state governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At December 31, 2022, significant amounts of grant expenses have not been audited by these grantor agencies, but management believes that subsequent audits will not have a material effect on the overall financial position of the District.

REQUIRED SUPPLEMENTARY INFORMATION

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2022

(With Comparative Actual Totals for the Year Ended December 31, 2021)

	2022			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2021 ACTUAL
REVENUES				
Taxes				
Property Taxes	\$ 1,230,557	\$ 1,235,174	\$ 4,617	\$ 1,102,355
Sales Taxes	476,088	596,832	120,744	184,915
Specific Ownership Taxes	55,375	58,989	3,614	59,075
Intergovernmental				
Conservation Trust	10,926	11,978	1,052	11,077
County Road and Bridge	116,678	111,832	(4,846)	106,507
Charges for Services	500	500	-	500
Apartment Rent	-	22,750	22,750	-
Investment Income	16,744	31,821	15,077	16,185
Miscellaneous Income	250	3,006	2,756	-
TOTAL REVENUES	1,907,118	2,072,882	165,764	1,480,614
EXPENDITURES				
Current				
General Government	309,653	281,370	28,283	255,188
Public Works	1,263,091	1,141,027	122,064	1,216,174
Parks and Recreation	37,806	1,278	36,528	23,590
Capital Outlay	250,000	9,466	240,534	22,084
TOTAL EXPENDITURES	1,860,550	1,433,141	427,409	1,517,036
NET CHANGE IN FUND BALANCE	46,568	639,741	593,173	(36,422)
FUND BALANCE, Beginning	1,445,338	1,449,882	4,544	1,486,304
FUND BALANCE, Ending	<u>\$ 1,491,906</u>	<u>\$ 2,089,623</u>	<u>\$ 597,717</u>	<u>\$ 1,449,882</u>

See the accompanying Independent Auditors' Report.

BUFFALO MOUNTAIN METROPOLITAN DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

SUPPLEMENTARY INFORMATION

BUFFALO MOUNTAIN METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE

WATER AND SEWER UTILITY FUND

Year Ended December 31, 2022

(With Comparative Actual Totals for the Year Ended December 31, 2021)

	2022			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2021 ACTUAL
REVENUES				
Sewer Service Fees	\$ 1,055,697	\$ 1,058,411	\$ 2,714	\$ 1,004,798
Water Service Fees	657,899	650,186	(7,713)	628,621
Sewer Tap Fees	27,000	3,440	(23,560)	21,380
Water Tap Fees	27,000	3,400	(23,600)	20,220
Investment Income	19,949	27,471	7,522	26,673
Grant Revenue	-	27,324	27,324	12,611
Miscellaneous	-	-	-	32,081
TOTAL REVENUES	1,787,545	1,770,232	(17,313)	1,746,384
EXPENDITURES				
Water Operations	679,417	626,731	52,686	596,631
Sewer Operations	708,928	730,659	(21,731)	736,778
Administration and General	248,125	229,997	18,128	209,780
Debt Service				
Principal	127,085	127,084	1	124,581
Interest	55,649	54,810	839	58,153
Capital Outlay	726,381	639,061	87,320	438,086
TOTAL EXPENDITURES	2,545,585	2,408,342	137,243	2,164,009
CHANGE IN NET POSITION, Budgetary Basis	\$ (758,040)	(638,110)	\$ 119,930	(417,625)
ADJUSTMENTS TO GAAP BASIS				
Net Income from Joint Sewer Authority		46,217		28,584
Net Income from Sewer Operation in Joint Sewer Authority		12,950		8,289
CWRPDA Loan Principal		127,084		124,581
Capital Outlay		639,061		438,086
Loss on Disposal of Capital Assets		-		(7,341)
Amortization		(1,887)		-
Depreciation		(370,130)		(348,937)
CHANGE IN NET POSITION, GAAP Basis		(184,815)		(174,363)
NET POSITION, Beginning		9,610,121		9,784,484
NET POSITION, Ending		\$ 9,425,306		\$ 9,610,121

See the accompanying Independent Auditor's Report.