

## Blue Mountain Water District

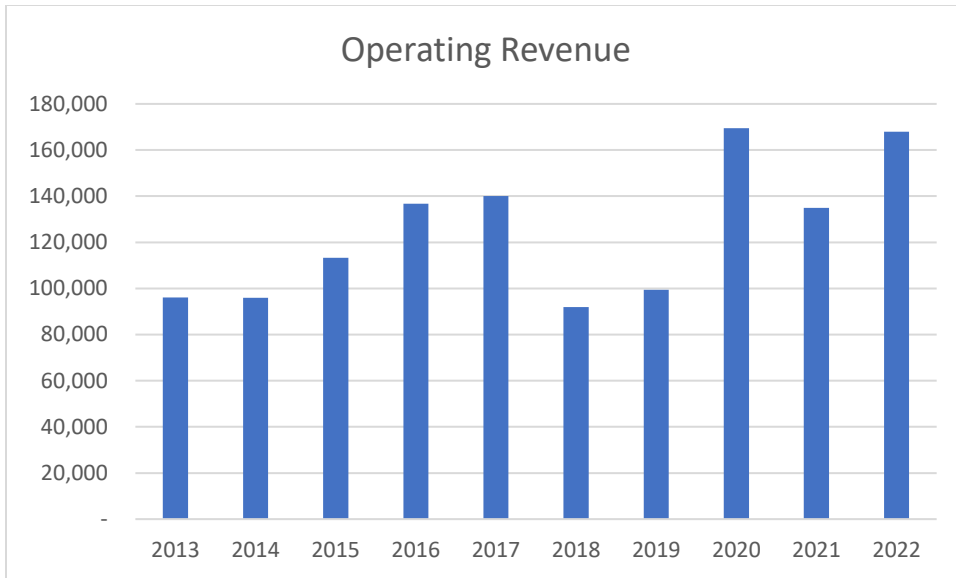
### Ten Year Financial History

Here is a 10 year summary of the finances of the Blue Mountain Water District, from 2013 through 2022. Although this data is unofficial, and taken from our working spreadsheets, it should closely reflect the audited data. For official audited data, you can refer to our annual audits filed with the State of Colorado at the web site [dola.colorado.gov/lgis](http://dola.colorado.gov/lgis), and selecting *Blue Mountain Water District* from the list. That site shows our budgets and other information as well.

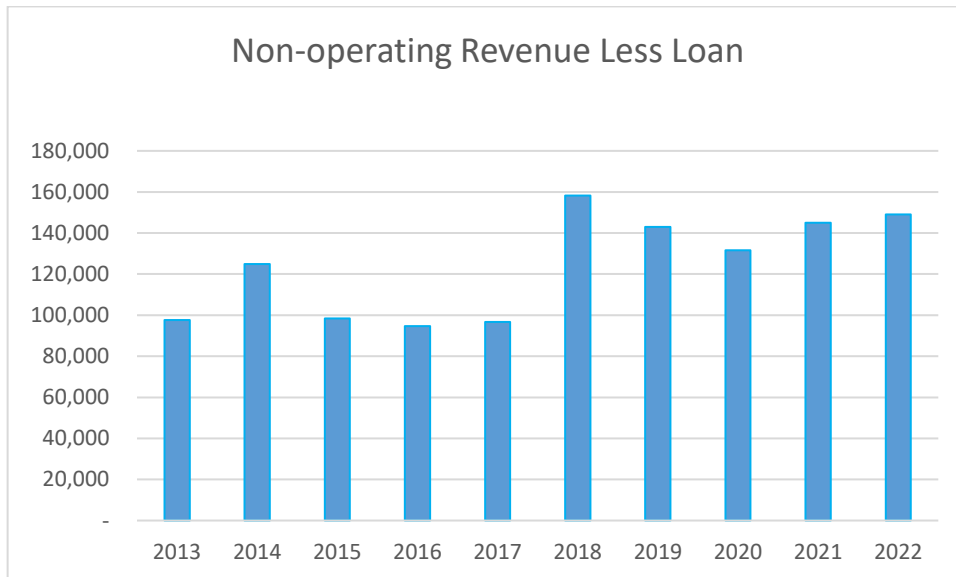
Here's a snapshot of the financial data for the last 10 years, first in table form:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Starting Cash	576,892	571,331	657,468	734,704	835,774	904,509	1,003,027	1,065,107	1,157,199	1,196,995
Operating Revenue	96,064	95,918	113,297	136,739	140,051	91,909	99,473	169,523	134,994	167,899
Non-operating Revenue	97,573	124,830	98,336	94,612	96,761	158,225	142,938	131,658	680,579	413,425
Non-operativn Revenue - Loan	97,573	124,830	98,336	94,612	96,761	158,225	142,938	131,658	145,000	149,005
Total Revenue	193,637	220,748	211,633	231,351	236,812	250,134	242,411	301,181	815,573	581,324
Loan Proceeds									535,579	264,420
Total Revenue less loan	193,637	220,748	211,633	231,351	236,812	250,134	242,411	301,181	279,994	316,904
Operating Expense	106,504	99,182	112,415	106,877	108,199	119,300	135,112	122,026	99,936	105,106
Capital Expense	72,403	14,246	2,942	99	37,300	14,601	23,554	54,839	646,583	497,539
Debt Service										29,528
Admin and General Expense	20,291	21,183	19,040	23,305	22,578	17,715	21,665	32,224	29,258	24,306
Total Expense	199,198	134,611	134,397	130,281	168,077	151,616	180,331	209,089	775,777	656,479
Total Expense less Capital	126,795	120,365	131,455	130,182	130,777	137,015	156,777	154,250	129,194	158,940
Income Less Expense	(5,561)	86,137	77,236	101,070	68,735	98,518	62,080	92,092	39,796	(75,155)
Ending Cash	571,331	657,468	734,704	835,774	904,509	1,003,027	1,065,107	1,157,199	1,196,995	1,121,840

Let's run through some of that in a form that's hopefully easier to look at. We will start with revenue, then expenses, then our ending cash reserves.

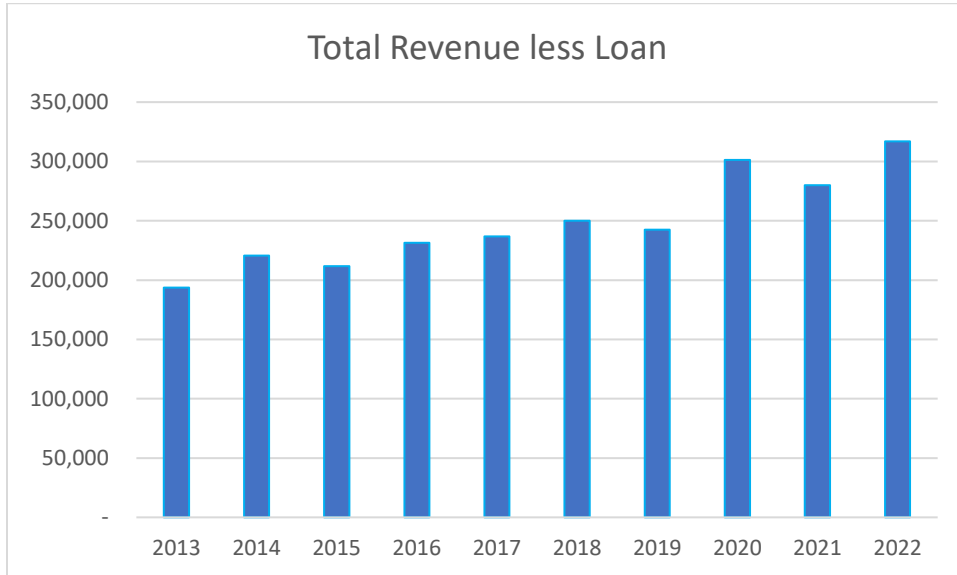


Operating revenue is revenue produced from water sales, tap sales, and standby charges. The sale of taps is unpredictable and has a big effect on the totals. Water sales and standby charges are much more predictable.



Non-operating revenue is from property tax revenue, specific ownership taxes from vehicle sales, etc, and from bank interest. All property owners in the district pay property taxes to BMWD. Our property tax revenue is limited by our mill levy and the total valuation in the district. This currently limits us to just under \$234,000. Since our needs are less than this, we temporarily reduced our mill levy for the year based on how much tax revenue we need for the budget. That reduction is temporary and varies on a yearly basis, but we have given a reduction for many years.

In 2021 we received a loan for the construction of a new water storage tank. Those loan funds were omitted from this chart, but are shown in the table above. In a later chart we will show the capital expense, and the loan proceeds largely offset those expenses.

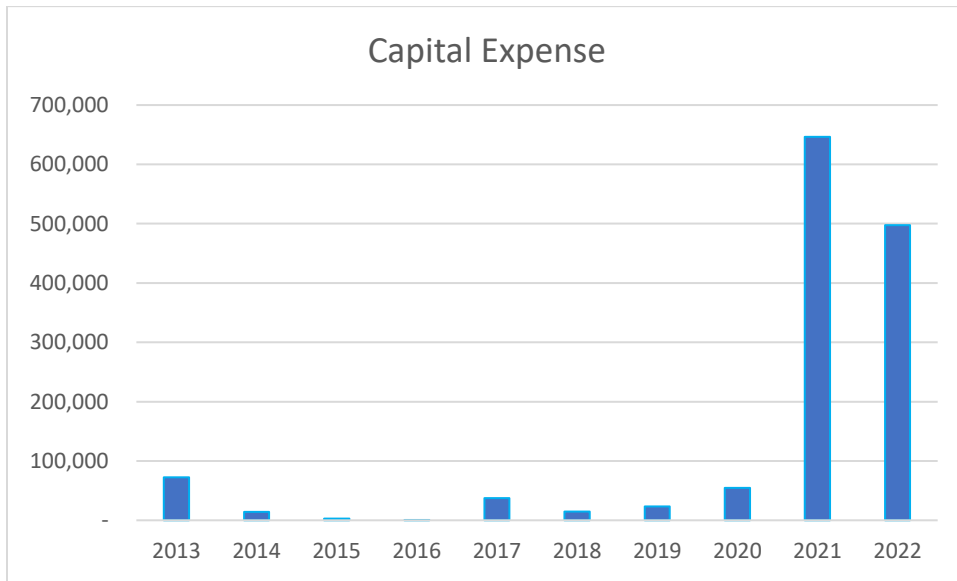


This shows the total revenue, the sum of the operating and non-operating revenue. Again, the loan proceeds were not included in this chart.

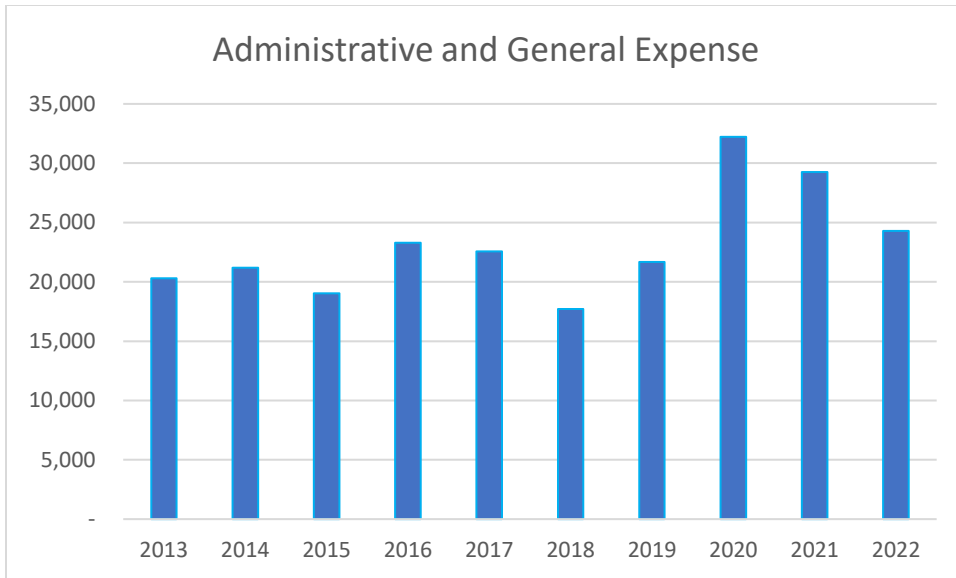


Our operating expenses are typically the highest expenses for the district. These costs cover the expense of contracting with a licensed operator to run the water system; maintenance of the well field, treatment plant, distribution system, pump stations, buildings, and roads; water quality testing; and utilities. These categories include contracted labor and materials.

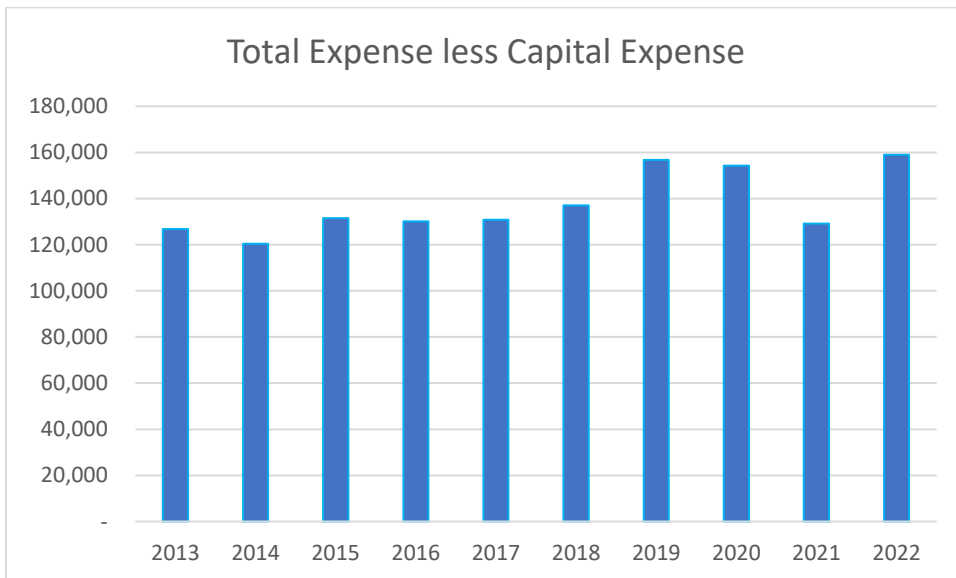
In discussions over many years, we have talked about how we could further reduce costs. A significant expense is the preventative maintenance of our system. Short term savings could be realized by reducing the amount of maintenance that we do. This has never been an acceptable option, however, since our system is now 45 years old. We believe that regular maintenance has kept it going for longer than expected. Much of the original system is still in place and was designed for a projected 25 year lifespan. We do expect higher future costs as we continue to replace aging equipment in the future.



As planned, our capital costs have been high in the past two years. The large majority of the costs were for the new water storage tank constructed over that period. We are continuing to upgrade meters in the district as supply chain allows and have a planned pump upgrade in Pump Station 3 this year as soon as the weather allows.



Administrative and general expenses include several categories, including accounting, legal, insurance, office expenses, and fees to Jefferson County, plus our required annual audit expenses. These have been mostly stable for the past decade.

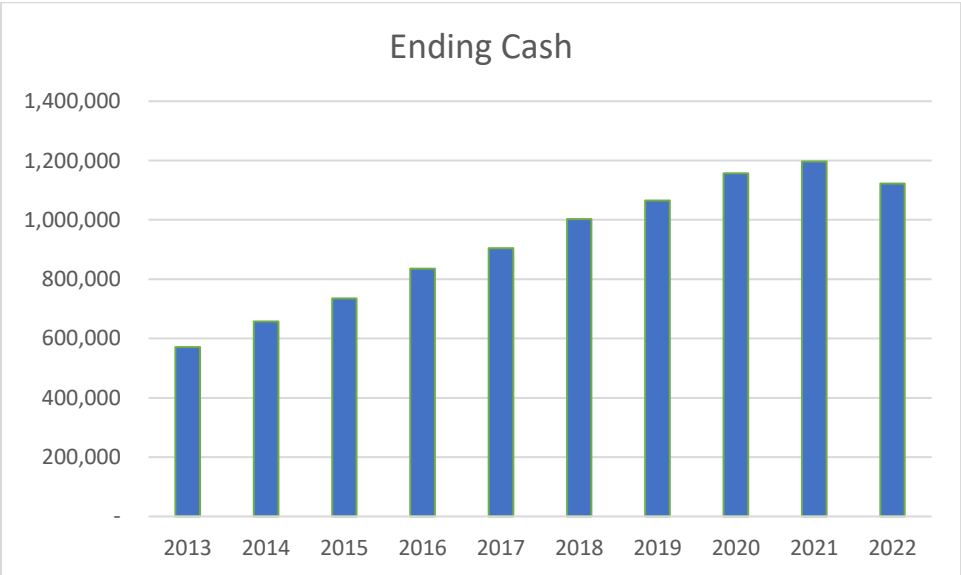


Combining the above expense categories (excluding capital expenses, which are planned but different from normal operations) gives the above chart.



This shows what a business would categorize as net income. Unlike a business, which hopes to show positive net income each year, the District needs only to remain strong and solvent. A negative net income can be acceptable and the difference is paid from our accumulated reserves. For 2022, the negative income less expense shows the cost to complete the storage project in excess of the loan we received. For 2023, our budget predicts a negative income less expense of nearly \$220,000 since we have a planned project to better understand and access our water resource.

This chart includes both the loan proceeds and the capital expense for the storage project.



Over the past decade we have approximately doubled our cash in reserve. Increasing our reserves has been discussed and planned over many decades. We have also taken a loan of \$800,000 for the storage expansion at 2.5% interest rate and are repaying that loan over 20 years. We expect higher equipment replacement expenses in future. We need to be prepared for unexpected events with the water system.

We also expect that the State of Colorado will require us to update our treatment plant, which will far exceed our reserves. When that happens, we will be having additional discussions with the residents regarding how to fund this. Prior to the treatment plant update, there will be substantial engineering expenses as alternatives are reviewed and a final design is determined.

The District is allowed to increase our reserves as we have over the past decades because of a voter approved exemption from specific Tabor requirements. We can use the funds for the benefit of the district, or we can let them accrue. We have not needed to ever do a special assessment of our customers. These assessments are common, for instance, in places that use a Homeowner's Association to manage maintenance. These assessments can be expensive and unexpected, are hotly debated, and are typically hated by the residents. We hope to never need to do this.

The increasing reserves also show that the District is not inclined to spend money without a lot of discussion and planning. Through careful planning and budgeting, the Board has managed and protected our reserves and have those reserves to be used as needed in the future. Other types of government that have their budgets allocated from a general fund, and unspent money is removed from their next budget. That can promote a "use it or lose it" mentality and promote frivolous spending. The Board of Directors instead has responsibilities to manage and protect these accumulated reserves. The District is financially sound and healthy. We have worked hard to reduce costs wherever they can appropriately be reduced. The Blue Mountain Water District has around forty five years of history demonstrating that we do that.