

**Columbine Lake Water District
Grand County, Colorado**

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2013

Columbine Lake Water District

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December 31, 2013

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WAGNER BARNES
& GRIGGS, PC

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Columbine Lake Water District
Grand County, Colorado

We have audited the accompanying financial statements of Columbine Lake Water District (the District) as of and for the years ended December 31, 2013 and 2011, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbine Lake Water District, as of December 31, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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 as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wagm Larnet & Yigga, PC

Lakewood, Colorado
June 16, 2014

BASIC FINANCIAL STATEMENTS

Columbine Lake Water District
STATEMENT OF NET POSITION
December 31, 2013

ASSETS

Current assets

Cash and cash equivalents	\$	847
Investments		280,008
Accounts receivable - users		111
Inventories		2,414
Total current assets		283,380

Capital assets

Capital assets, not being depreciated		4,375
Capital assets, being depreciated, net		761,392
Capital assets, net		765,767
Total assets		1,049,147

LIABILITIES

Current liabilities

Accrued salaries, benefits and related liabilities		1,668
Total current liabilities		1,668
Total liabilities		1,668

NET POSITION

Net investment in capital assets		765,767
Restricted for emergency		5,200
Unrestricted		276,512
Total net position	\$	1,047,479

The accompanying Notes to the Financial Statements are an integral part of these statements.

Columbine Lake Water District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2013

OPERATING REVENUES	
Water fees	\$ 169,648
Other fees	975
Total operating revenues	<u>170,623</u>
OPERATING EXPENSES	
Depreciation	46,730
Repairs and maintenance	29,078
Three lakes operation	30,396
Engineering	2,500
Homeowners emergency pool	2,357
Utilities	6,326
Water testing, treatment, lease	6,516
Total operating expenses	<u>123,903</u>
Gross Profit from water operations	<u>46,720</u>
GENERAL AND ADMINISTRATIVE EXPENSES	
Directors expenses	8,053
Insurance	3,017
Professional fees	6,466
Miscellaneous	220
Office	1,453
Payroll tax directors	383
Telephone	2,002
Three Lakes administration	25,224
Total general and administrative expenses	<u>46,818</u>
OPERATING INCOME (LOSS)	<u>(98)</u>
NONOPERATING REVENUES	
Net investment income	436
Total nonoperating revenues	<u>436</u>
CHANGE IN NET POSITION	338
NET POSITION - beginning of the year	<u>1,047,141</u>
NET POSITION - end of the year	<u>\$ 1,047,479</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Columbine Lake Water District
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 171,570
Payments to supplies for goods and services	(123,970)
Net cash provided (used) by operating activities	<u>47,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(53,379)
Net cash provided (used) by capital and related financing activities	<u>(53,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings received	436
Net cash provided (used) by investing activities	<u>436</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,343)
CASH AND CASH EQUIVALENTS - beginning of year	<u>286,198</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 280,855</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (98)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	46,730
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	947
Increase (decrease) in:	
Accrued liabilities	21
Net cash provided (used) by operating activities	<u>\$ 47,600</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Columbine Lake Water District
NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Note 1 – Definition of reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the northeastern portion of Grand County, Colorado. The District was established to provide water and sewer treatment services to inhabitants within the District's boundaries. The District currently provides only water services.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Note 2 – Summary of significant accounting policies

The more significant accounting policies of the District are described as follows:

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District follows Governmental Accounting Standards Board pronouncements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. This applies in situations where funds are collected and restricted for payment of a particular purpose.

Basis of Accounting

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is

Columbine Lake Water District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2013

incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on loans are recorded as reductions in liabilities.

Operating revenues and expenses

The District distinguishes between operating revenues and expenses from nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing sewer services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Cash equivalents

For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Investments for the District are reported at fair value.

Accounts receivable, allowance for doubtful accounts

Any and all user charges constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out method or market.

Capital assets

Capital assets include land, water rights, water plant and systems, buildings and improvements, equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$500 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Columbine Lake Water District
NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2013

Donated capital assets are recorded at estimated fair market value at the date of donation or at the developer's cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Water system improvements	5 to 50 years
Equipment and fixtures	5 to 10 years

Water rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Water rights have a perpetual life, thus the cost is not amortized. All other costs, including costs incurred for the protection of those rights are expensed.

Capital contributions

Tap fees are recorded as capital contributions when received. Water lines contributed to the District by developers are recorded as capital contributions and additions to the sewer system when received.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

Columbine Lake Water District
NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2013

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, Statement of Net Position as follows:

Cash and cash equivalents	\$ 847
Investments	<u>280,008</u>
Total cash and investments	<u>\$ 280,855</u>

At December 31, 2013 the District's cash deposits had bank balances of \$11,286 and carrying balances of \$847.

Deposits with financial institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2013 the federal insurance limits were \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has adopted a deposit policy for custodial credit risk. As of December 31, 2013, the District's bank balances and carrying balances were insured or collateralized and not exposed to custodial credit risk.

Columbine Lake Water District
NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2013

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District primarily limits its investments to certain money market funds, certain U.S. government agency securities, and local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

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

Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest including the following:

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

The local government investment pools, which include the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colostrust), are both rated AAAM by Standard & Poor's.

Columbine Lake Water District
NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2013

As of December 31, 2013, the District had the following investments, recorded at fair value:

<u>Investment</u>	<u>Maturity</u>	
Colorado Liquid Asset Trust (Colotruster)	Weighted average under 60 days	280,008
Total investments		\$ 280,008

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as 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.

Columbine Lake Water District
NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2013

Note 4 – Capital assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance at December 31, 2012	Increases	Decreases	Balance at December 31, 2013
Capital assets, not being depreciated				
Water rights	4,375	-	-	4,375
Total capital assets, not being depreciated	4,375	-	-	4,375
Capital assets being depreciated				
Water lines and mechanical	1,646,817	53,379	1,779	1,698,417
Furniture and office equipment	4,191	-	-	4,191
Total capital assets being depreciated	1,651,008	53,379	1,779	1,702,608
Less accumulated depreciation for				
Water lines and mechanical	892,074	46,730	1,779	937,025
Furniture and office equipment	4,191	-	-	4,191
Total accumulated depreciation	896,265	46,730	1,779	941,216
Total capital assets being depreciated, net	754,743	6,649	-	761,392
Capital assets, net	<u>\$ 759,118</u>	<u>\$ 6,649</u>	<u>\$ -</u>	<u>\$ 765,767</u>

Depreciation expense for the year ended December 31, 2013 was changed to water operations.

Note 5 – Fair value measurement

The District has adopted the methods of fair value as defined by the U.S. generally accepted accounting principles "GAAP" to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes observable inputs used to measure fair value into three broad levels. Cash and equivalents and investments held by the District are determined by reference to quoted market prices and other relevant information generated by market transaction (Level 1).

Note 6 – Long term obligations

Debt authorization

At December 31, 2013, the District had no authorized but unissued indebtedness.

Columbine Lake Water District
NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2013

Note 7 – Net Position

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2013 the District had net invested in capital assets as follows:

Capital assets	\$ 1,706,983
Accumulated depreciation	(941,216)
Net Investment in capital assets	<u>\$ 765,767</u>

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2013, the District had \$5,200 restricted net position for emergencies.

The District's unrestricted net position as of December 31, 2013 was \$1,207,328 and \$276,512.

Note 8 – Intergovernmental service agreement

The District entered an intergovernmental agreement with Three Lakes Water and Sanitation District (Three Lakes), whereby Three Lakes serves as the Operator of Record of the District's water system and performs all operational duties. Pursuant to the agreement, Three Lakes also provides administrative functions. During 2013, the District paid \$30,396 and \$25,224, respectively, for operational and administrative services under the agreement.

Note 9 – Risk management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors and omissions; injuries to personnel, or natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2013. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Columbine Lake Water District
NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2013

The District pays annual premiums to the Pool for liability, property, public officials liability, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. 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.

Note 10 – Tax, spending and debt limitations

Article X, Section 20 of the Colorado constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. As a result of the Enterprise's business-type activities, the District's management believes that the District's operations qualify for this exclusion.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. The District restricted \$5,200 in compliance with this requirement.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

SUPPLEMENTAL INFORMATION

Columbine Lake Water District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS

For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Water fees	\$ 166,484	\$ 169,648	\$ 3,164
Other fees	550	975	425
Tap fees	5,000	-	(5,000)
Net investment income	300	436	136
Total revenues	<u>172,334</u>	<u>171,059</u>	<u>(1,275)</u>
EXPENDITURES			
Repairs and maintenance	25,000	29,078	(4,078)
Three Lakes operation	33,400	30,396	3,004
Utilities	5,700	6,326	(626)
Water lease, testing and treatment	9,570	6,516	3,054
Directors expenses	9,285	8,053	1,232
Homeowners emergency pool	-	2,357	(2,357)
Insurance	3,211	3,017	194
Engineering	2,000	2,500	(500)
Professional fees	7,300	6,466	834
Miscellaneous	350	220	130
Office	2,375	1,453	922
Payroll taxes - directors	759	383	376
Telephone	2,500	2,002	498
Three Lakes administration	25,224	25,224	-
Capital improvements	50,000	53,379	(3,379)
Contingency	20,000	-	20,000
Transfer to reserve	78,289	-	78,289
Total expenditures	<u>274,963</u>	<u>177,370</u>	<u>97,593</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(102,629)	(6,311)	96,318
Funds available - beginning of year	<u>102,629</u>	<u>288,023</u>	<u>185,394</u>
Funds available - end of year	<u>\$ -</u>	<u>\$ 281,712</u>	<u>\$ 281,712</u>

Columbine Lake Water District

RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2013

Revenues (budgetary basis)	<u>\$ 171,059</u>
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>171,059</u>
Expenditures (budgetary basis)	177,370
Depreciation and amortization	46,730
Capital outlay	<u>(53,379)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>170,721</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u>\$ 338</u>