

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

**Financial Statements  
December 31, 2017**

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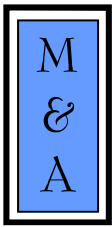
**Office of the State Auditor**

July 20, 2018

**Columbine Lake Water District  
Financial Report  
December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Columbine Lake Water District**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Columbine Lake Water District (the "District"), as of and for the year ended December 31, 2017, as listed in the table of contents, and the related notes to the financial statements.

### ***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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Columbine Lake Water District**

***Opinions***

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The individual fund budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The individual fund budgetary comparison is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**July 18, 2018**

## **FINANCIAL STATEMENTS**

**Columbine Lake Water District  
Statement of Net Position  
December 31, 2017**

**Assets:**

**Current Assets:**

Cash and cash equivalents	263,250
Accounts receivables	178
<b>Total Current Assets</b>	<u>263,428</u>

**Non-current Assets:**

Water rights	4,375
Plant and improvements	2,946,010
Fire hydrants	75,435
Less: Accumulated depreciation	<u>(1,296,315)</u>
<b>Total Non-current Assets</b>	<u>1,729,505</u>
<b>Total Assets</b>	<u>1,992,933</u>

**Liabilities:**

**Current Liabilities:**

Accrued payroll and related liabilities	1,652
Loan payable - due in less than one year	42,761
<b>Total Current Liabilities</b>	<u>44,413</u>

**Non-current Liabilities:**

Loan payable - due in more than one year	585,997
<b>Total Non-current Liabilities</b>	<u>585,997</u>
<b>Total Liabilities</b>	<u>630,410</u>

**Net Position:**

Net investment in capital assets	1,096,372
Unrestricted	266,151
<b>Total Net Position</b>	<u>1,362,523</u>

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

**Columbine Lake Water District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2017**

<b>Operating Revenues:</b>	
Service charges	191,195
Late fees	900
Other income	437
<b>Total Operating Revenues</b>	<u>192,532</u>
<b>Operating Expenses:</b>	
Water and sewer operations	123,034
Depreciation	98,241
<b>Total Operating Expenses</b>	<u>221,275</u>
<b>Operating Income (Loss)</b>	(28,743)
<b>Non-operating Revenues (Expenses):</b>	
Interest income	<u>2,005</u>
<b>Total Non-operating Revenues (Expenses)</b>	<u>2,005</u>
<b>Change in Net Position</b>	<u>(26,738)</u>
<b>Net Position - Beginning of Year</b>	1,389,261
<b>Net Position - End of Year</b>	<u><u>1,362,523</u></u>

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

**Columbine Lake Water District**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

<b>Cash Flows From Operating Activities:</b>	
Cash received from customers and others	192,138
Cash payments for goods and services	(113,426)
Cash payments to directors - salaries and benefits	(7,634)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>71,078</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Loan payments	(29,739)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(29,739)</u>
<b>Cash Flows From Investing Activities:</b>	
Interest income received	2,005
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>2,005</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	43,344
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>219,906</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>263,250</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	<u>(28,743)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>	
Depreciation	98,241
(Increase) decrease in accounts receivable	(394)
(Increase) decrease in Inventory	2,414
Increase (decrease) in accounts payable	(455)
Increase (decrease) in payroll liabilities	15
<b>Total Adjustments</b>	<u>99,821</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>71,078</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Columbine Lake Water District**  
**Notes to the Financial Statements**  
**December 31, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies**

Columbine Lake Water District (the "District") was formed in 1970 to provide water services within its boundaries. The District services approximately 460 residents. The operation and maintenance of the water system as well as the administrative services are contracted out to Three Lakes Water and Sanitation District. Five elected board members govern the District.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

**B. Fund Accounting**

The District uses a proprietary fund-type, an enterprise fund, to account for its activities. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues and expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**Columbine Lake Water District**  
**Notes to the Financial Statements**  
**December 31, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**1. Long-term Economic Focus and Accrual Basis**

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**2. Financial Statement Presentation**

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise funds 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.

**D. Financial Statement Accounts and Accounting Policies**

**1. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the District considers cash on hand, demand deposits, U.S. government obligations and other highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

**2. Receivables**

User charges constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by Statute, or certified to the Grand County Treasurer for collection on its tax rolls, as provided by Statute. Therefore, no provision for uncollectible accounts has been made in the financial statements.

**3. Inventory**

Inventory is determined at the lower of cost (determined on the first-in, first-out basis) or market.

**Columbine Lake Water District  
Notes to the Financial Statements  
December 31, 2017  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts and Accounting Policies (continued)**

**4. Capital Assets**

Capital assets, which include land, water rights, construction in progress, buildings and improvements, transmission systems, vehicles, and equipment, are reported in the financial statements. The District defines capital assets as assets with an initial cost of more than \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed, if applicable.

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. Buildings and improvements, water storage tanks, infrastructure, vehicles, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5 - 50
Equipment and fixtures	5 - 10

**5. Net Position**

Net position represents the difference between assets, liabilities, and deferred inflows (outflows) of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and increased by any unspent proceeds from related borrowings. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**6. Long-term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the respective life of the respective debt using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

**Columbine Lake Water District  
Notes to the Financial Statements  
December 31, 2017  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts and Accounting Policies (continued)**

**7. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**8. Restricted and Unrestricted Resources**

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

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The budget is adopted on a non-GAAP basis and is reconciled to GAAP in Section E of this report. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. Since the District is considered an enterprise under TABOR, no reserve is considered necessary.

The District believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an enterprise, will require judicial interpretation.

**Columbine Lake Water District  
Notes to the Financial Statements  
December 31, 2017  
(Continued)**

**III. Detailed Notes on All Funds**

**A. Deposits and Investments**

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures depositors up to \$250,000 for all accounts. As of December 31, 2017, the District did not have cash balance in excess of FDIC.

At December 31, 2017, the District had the following cash and investments:

	<b>Standard &amp; Poors Rating</b>	<b>Carrying amount</b>	<b>Maturities less than one year</b>
Interest bearing checking	Not rated	\$ 102,126	102,126
Investment pool	AAAm	161,124	161,124
Total cash and investments		<u>\$ 263,250</u>	<u>263,250</u>

*Fair Value of Investments*

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2017 the District had the following assets measured at Net Asset Value:

<b>Investments Measured at Net Asset Value</b>	<b>Total</b>
Colostrust	161,124

The investment pools represent investments in the Colorado Liquid Asset Trust ("COLOTRUST") and CSAFE which are 2a7-like pools, each have a rating of AAAM. The fair value of these pools is determined by the pools' share price. The District has no regulatory oversight for these pools.

The District follows Colorado statutes regarding its investments.

**Interest Rate Risk**

Colorado Revised Statutes limit the District's investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from changes in interest rates. As a result of the limited length of maturities, the District has limited its interest rate risk.

**Columbine Lake Water District  
Notes to the Financial Statements  
December 31, 2017  
(Continued)**

**III. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

**Credit Risk**

Colorado statutes specify instruments in which local governments may invest, including:

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

**B. Capital Assets**

Capital asset activity for 2017 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Water rights	\$ 4,375	-	-	4,375
Total capital assets, not being depreciated	<u>4,375</u>	<u>-</u>	<u>-</u>	<u>4,375</u>
Capital assets, being depreciated:				
Water Lines and mechanical	2,946,010	-	-	2,946,010
Office equipment	4,191	-	(4,191)	-
Fire Hydrants	75,435	-	-	75,435
Total capital assets, being depreciated	<u>3,025,636</u>	<u>-</u>	<u>(4,191)</u>	<u>3,021,445</u>
Less accumulated depreciation for:				
Water Lines and mechanical	1,188,751	95,727	-	1,284,478
Office equipment	4,191	-	(4,191)	-
Fire Hydrants	9,323	2,514	-	11,837
Total accumulated depreciation	<u>1,202,265</u>	<u>98,241</u>	<u>(4,191)</u>	<u>1,296,315</u>
Total capital assets, being depreciated, net	<u>1,823,371</u>	<u>(98,241)</u>	<u>(8,382)</u>	<u>1,725,130</u>
Total capital assets, net	<u>\$ 1,827,746</u>	<u>(98,241)</u>	<u>(8,382)</u>	<u>1,729,505</u>

**Columbine Lake Water District  
Notes to the Financial Statements  
December 31, 2017  
(Continued)**

**III. Detailed Notes on All Funds (continued)**

**C. Long Term Obligations**

During April of 2015, the District entered into a \$690,000 loan with the Colorado Water Resources and Power Development Authority (CWRPDA) for replacing a water main line located in Kinnikinnick Road and surrounding roads in the vicinity. Principal and interest is payable May 1 and November 1 through May 1, 2035. The effective annual interest rate of the loan is 2%.

Upon written notice to CWRPDA, the District has the option to prepay the loan in whole or in part.

Debt repayment requirement at December 31, 2017, were as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	\$ 12,424	30,336	42,760
2019	11,814	30,946	42,760
2020	11,192	31,568	42,760
2021	10,558	32,202	42,760
2022	9,911	32,849	42,760
2023-2027	39,380	174,421	213,801
2028-2032	21,132	192,669	213,801
2033-2035	3,134	103,767	106,901
Total	<u>\$ 119,545</u>	<u>628,758</u>	<u>748,303</u>

**IV. Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other special districts in the State to form the Colorado Special Districts Property and Liability Pool ("the Pool"), a public entity risk pool currently operating as a common risk management and insurance program for member special districts. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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.

**B. Intergovernmental Agreements**

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 2017, the District paid \$35,742 and \$26,760, respectively, for operational and administrative services under the agreement.

**SUPPLEMENTARY INFORMATION**

**Columbine Lake Water District**  
**Schedule of Revenues, Expenditures, and Funds Available**  
**For the Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
<b>Revenues:</b>			
Service charges	189,000	191,195	2,195
Water and sewer tap fees	10,000	-	(10,000)
Inspection fees	200	-	(200)
Interest income	500	2,005	1,505
Late fees	500	900	400
Miscellaneous	500	437	(63)
<b>Total Revenues</b>	<u>200,700</u>	<u>194,537</u>	<u>(6,163)</u>
<b>Expenditures:</b>			
<b>Water and Sewer Service:</b>			
Dues, publications, and education	500	250	250
Insurance	4,086	4,079	7
Professional fees	3,500	2,586	914
Miscellaneous	350	1,900	(1,550)
Office expense	2,122	1,832	290
Repairs and maintenance	32,000	12,655	19,345
Director expense	12,313	7,274	5,039
Payroll tax expense	750	375	375
Telephone	2,000	2,012	(12)
Utilities	7,140	6,850	290
Water testing, treatment, lease	10,850	6,351	4,499
Three Lakes operation contract	36,228	35,742	486
Three Lakes administration	27,110	26,986	124
Engineering	3,000	1,120	1,880
Contingency	24,181	-	24,181
Loan principal	42,761	42,760	1
<b>Total Expenditures</b>	<u>208,891</u>	<u>152,772</u>	<u>56,119</u>
<b>Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis</b>	(8,191)	41,765	49,956
<b>Funds Available - Beginning of Year</b>	<u>218,075</u>	<u>177,250</u>	<u>(40,825)</u>
<b>Funds Available - End of Year</b>	<u>209,884</u>	<u>219,015</u>	<u>9,131</u>

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

**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, 2017**

<b>Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis</b>	<u>41,765</u>
<b>Reconciling Items:</b>	
Depreciation	(98,241)
Loan principal	<u>29,738</u>
<b>Total Reconciling Items</b>	<u>(68,503)</u>
<b>Change in Net Position per Statement of Revenues, Expenses and Changes in Net Position</b>	<u><u>(26,738)</u></u>

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