Lake San Cristobal Water Activity Enterprise
Financial Statements
June 30, 2020

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Paul D. Miller CPA, LLC.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lake San Cristobal Water Activity Enterprise Fund
Lake City, Colorado

I have audited the accompanying financial statements of the business-type activities of Lake San Cristobal Water Activity Enterprise Fund as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Lake San Cristobal Water Activity Enterprise Fund, as of June 30, 2020, and the respective 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.

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Emphasis of Matter

Management has omitted the Management Discussion & 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake San Cristobal Water Activity Enterprise Fund's financial statements taken as a whole. The budgetary comparison information on page 10 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Paul D. Miller, CPA, LLC

Grand Junction, CO
February 1, 2021

SAN CRISTÓBAL LAKE-WATER ENTERPRISE ACTIVITY
STATEMENT OF NET POSITION
June 30, 2020

ASSETS:	
Current Assets	
Cash & Cash Equivalents	$ 155,812
Prepaid Expense	365
Total Current Assets	156,177
Fixed Asssets:	
Dam Structure-Net of Accumulated Depreciation of $172,212	466,170
TOTAL ASSETS	$ 622,347
LIABILILTIES AND NET POSITION	
Current Liabilities	
Accounts Payable	$ 43
Total Current Liabilities	
NET POSITION	
District	270,919
County	171,231
Town	171,231
LSC Capital Reserve	8,922
Total Net Position	622,304
Total Liabilities and Net Position	$ 622,347

The accompanying notes are an integral part of these financial statements

SAN CRISTÓBAL LAKE-WATER ENTERPRISE ACTIVITY
STATEMENT OF NET REVENUE, EXPENSE AND CHANGE IN NET POSITION
For the Year Ended June 30, 2020

PROGRAM REVENUE:	
Annual Assessments	$ 33,080
Water Sales	9,119
Total Program Revenues	42,199
PROGRAM EXPENSES:	
Operations & Maintenance	
USGS Gage	$ 7,861
Equipment Repairs	14,103
Utilities	2,467
Operations	3,830
Depreciation	12,268
Total Program Expense	40,528
Administrative	
Office Expense	170
Total Administrative Expense	170
Total Expenses	40,698
Change in Net Position	1,500
Net Position, Beginning of year	620,804
Net Position- Ending of Year	$ 622,304

The accompanying notes are an integral part of these financial statements

SAN CRISTÓBAL LAKE-WATER ENTERPRISE ACTIVITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Annual Assessments	$ 33,080
Cash Received from Water Sales	9,119
Cash Payments for Goods and Services	(29,033)
Net Increase (Decrease) in Cash & Cash Equivalents	13,166
Cash Balance, July 1,	142,647
Cash Balance June 30,	$ 155,812

Reconciling of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ 1,500
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	12,268
Current Assets (Increase) Decrease	
Prepaid Expense	(365)
Liabilities Increased (Decreased)	
Accounts Payable	(237)
Total Adjustments	
Net Cash Provided (Used) by Operating Activities	$ 13,166

The accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lake San Cristobal Water Activity Enterprise (LCS) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to business type government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Enterprise's accounting policies are described below:

Reporting Entity

These financial statements present the financial position and results of operations of Lake San Cristobal, a water activity enterprise created on May 20, 2009. The Enterprise is supported jointly by Upper Gunnison River Water Conservancy District, Hinsdale County, and the Town of Lake City. The purpose of the Enterprise is to provide water stored in Lake San Cristobal for use as replacement water to permit out-of-priority depletions by wells or other diversion structures that would otherwise be curtailed by downstream calls from senior water rights or senior instream flow water rights. The enterprise is governed by a six-member board that includes two members from each of the three partner entities.

These financial statements include only the Enterprise as there are no component units required to be included in accordance with GASB Statement No 14.

Fund Financial Statements

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The Enterprise has presented the following major proprietary fund.

Water Enterprise

Water Enterprise is used to account for the provision of water services to the residents of the Lake San Cristobal Watershed and include administration, operations and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water debt. All costs are financed through charges to customers.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

The water Enterprise statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a 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.

It is the Enterprise's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

Use of Estimates

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

Capital Assets

Capital assets are stated at cost. Donated assets are recorded at their estimated fair market value at the date of donation. The Enterprise defines capital assets as assets with an initial cost of $1,000 or greater. Replacements, which improve or extend the lives of property, are capitalized. Maintenance, repairs, and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Dam rehabilitation	50 years

The Enterprise started to depreciate the cost of the Lake San Cristobal Reservoir dam.

Compensated Absences

There are no employees of the Enterprise, therefore there is no compensated absences.

Net Position

Net position represents the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use by external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

NOTE 2 - TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, 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.

NOTE 3 - DEPOSITS AND INVESTMENTS

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. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that always exceeds 102% of the uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations secured by first lien mortgages on real property located in the state. PDPA allows the institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA.

On June 30, 2020, the carrying amounts of the Enterprise's deposits were $155,812. Of the bank balances, $155,812 is covered by FDIC depository insurance.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

Business-type Activities	Balance 6/30/2019	Increase	Decrease	Balance 6/30/2020
Dam Rehabilitation	$ 613,382	$ -	$ -	$ 613,382
Less Accumulated Depreciation	(159,944)	(12,268)	-	(172,212)
Business-Type Activities Capital Asets, Net.	$ 453,438	$ (12,268)	$ -	$ 441,170

Total depreciation expense for the Water Enterprise had depreciation expense of $ 12,268.

NOTE 5 - RISK MANAGEMENT

The Enterprise is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded commercial coverage in any of the past three years.

NOTE 6 - COMMITMENTS.

In 2009, the Enterprise entered into an agreement with Hinsdale County, the Town of Lake City, and the Upper Gunnison River Water Conservancy Enterprise to operate the Water Activity Enterprise. The plan is to eventually reimburse the three entities for upfront money used to construct the Lake San Cristobal Dam Structure. The Entities realize this could take several years before this can be realized.

The three Entities, each year purchase the unsold water shares to help fund the operations of LSC..

For the year ended the three Entities purchased the following:

Upper Gunnison River Water Conservancy Enterprise	$ 13,464
County of Hinsdale	13,464
Town of Lake City	6,152
Total	$ 33,080

OTHER SUPPLEMENTARY INFORMATION

SAN CRISTÓBAL LAKE-WATER ENTERPRISE ACTIVITY
Schedule of Reveunes, Expenditures & Change in Available Resources- Budget to Actual
For the Year Ended Jue 30, 2020

	Original & Final Budget	Actual	(OVER) Under Budget
PROGRAM REVENUE:			
Annual Assessments	$ 33,080	$ 33,080	$ -
Water Sales	9,890	9,119	(771)
Total Program Revenues	42,970	42,199	(771)
PROGRAM EXPENSES:			
Operations & Maintenance			
USGS Gage	13,875	7,861	6,014
Equipment Repairs	16,000	14,103	1,897
Utilities	2,500	2,467	33
Operations	4,000	3,830	170
Depreciation	-	-	-
Total Program Expense	36,375	28,261	8,114
Administrative			
Office Expense	450	170	280
Total Administrative Expense	450	170	280
Total Expenses	36,825	28,431	8,394
Net Change	6,145	13,768	(9,165)
Net Change Betweem Budget and Actual:			
Depreciation	-	12,268	(12,268)
Change in Net Position	$ 6,145	1,500	$ (3,103)
Net Position, Beginning of year		62,804	
Net Position- Ending of Year		$ 64,304	