

COLUMBINE WATER AND SANITATION DISTRICT

Financial Statements

Year Ended December 31, 2013

with

Independent Auditors' Report

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Board of Directors
Columbine Water and Sanitation District
Arapahoe County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Columbine Water and Sanitation District, as of and for the year ended December 31, 2013, which collectively comprise the District's basic financial statements 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Columbine Water and Sanitation District as of December 31, 2013, 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.

Other-Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages III-VII be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to this 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 limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Columbine Water and Sanitation District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information 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 prepare 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Simmons & Wheeler P.C.

Centennial, CO
March 31, 2014

**COLUMBINE WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2013**

Our discussion and analysis of Columbine Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2013 and 2012. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference between the two reported as Net Position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in Net Position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's Net Position. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

Net Position

As noted earlier, Net Position may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets exceed liabilities by \$1,161,186, \$1,230,017, and \$1,308,970 at December 31, 2013, 2012, and 2011, respectively. The largest portion of the District's Net Position reflects its net investment in capital assets. The District uses these assets to provide services to citizens; consequently these assets are not available for future spending.

Unrestricted Net Position may be used to meet the District's ongoing obligations to maintain the sewer systems within the jurisdictional boundaries.

Total assets decreased \$89,254 from 2012 to 2013 due to annual depreciation of capital assets. There were no capital asset additions during 2013. The increase in Current liabilities of \$16,674 is due to developer deposits received in advance to cover the costs of reviewing plans and inspecting the installation of sewer mains in a new development within the District. Long-term liabilities decreased \$36,997 due to the required annual debt payment made on the outstanding loan (see Note 4).

Comparing 2011 to 2012, total assets decreased \$111,728. This change is due to the decrease in cash as a result of funding the increase in operating expenses and the depreciation of capital assets. There were no capital asset additions during 2012. Total liabilities decreased \$32,775 which may be attributed to the required annual debt payment made on the outstanding loan.

NET POSITION

	December 31,		
	2013	2012	2011
ASSETS			
Current assets	\$ 682,661	\$ 687,644	\$ 714,141
Capital assets, net	680,073	764,344	849,575
Total assets	1,362,734	1,451,988	1,563,716
LIABILITIES			
Current liabilities	64,967	48,293	45,681
Long-term liabilities	38,681	75,678	111,065
Total liabilities	103,648	123,971	156,746
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	97,900	98,000	98,000
Total Deferred inflows of resources	97,900	98,000	98,000
NET POSITION			
Net investment in capital assets	603,828	652,446	704,663
Restricted	32,215	30,357	26,313
Unrestricted	525,143	547,214	577,994
Total net position	\$ 1,161,186	\$ 1,230,017	\$ 1,308,970

Changes in Net Position

As noted in the table below, the decrease in District's Net Position for 2013 amounted to \$68,831. This decrease is more favorable than the decrease in Net Position in 2012 of \$78,953. The increase in total revenue of \$15,030 is attributed to an inclusion fee in the amount of \$14,445 paid by a developer. Operating expenses increased by \$6,195 from 2012 to 2013. This increase is due to the participation in costs related to the rehabilitation of interceptor sewer mains owned by Southwest Metropolitan Water & Sanitation District (Southwest). The District's proportionate share of costs reimbursed to Southwest during 2013 amounted to \$12,458. This expense offset the reduction in routine maintenance performed in the District from 2012 to 2013.

The decrease in the District's Net Position for 2012 of \$78,953 is less favorable than the decrease in Net Position in 2011 of \$48,212. The increase in total expenses from 2011 to 2012 amounted to \$25,622 and is attributed to the increase in legal fees as well as the increase in scheduled maintenance required from 2011 to 2012.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2013	2012	2011
REVENUES			
General revenues:			
Property taxes	\$ 98,343	\$ 97,928	\$ 102,838
Specific ownership taxes	6,759	6,114	6,126
Net investment income	905	1,380	670
Miscellaneous	-	-	222
Tap fees	-	-	2,500
Capital Contributions:			
Inclusion fees	14,445	-	-
Total revenues	<u>120,452</u>	<u>105,422</u>	<u>112,356</u>
EXPENSES			
Operating	183,468	177,273	151,651
Nonoperating	5,815	7,102	8,917
Total expenses	<u>189,283</u>	<u>184,375</u>	<u>160,568</u>
CHANGE IN NET POSITION	<u>(68,831)</u>	<u>(78,953)</u>	<u>(48,212)</u>
NET POSITION - BEGINNING OF YEAR	<u>1,230,017</u>	<u>1,308,970</u>	<u>1,357,182</u>
NET POSITION - END OF YEAR	<u>\$ 1,161,186</u>	<u>\$ 1,230,017</u>	<u>\$ 1,308,970</u>

BUDGETARY HIGHLIGHTS

During 2013 the District's budget was not amended. The total appropriated expenditures for 2013 were \$156,100 and actual expenditures were \$140,399, or \$15,701 under budget. A positive budget variance of \$25,672 for repairs and maintenance is due primarily to the rehabilitation of the sewer interceptor owned by Southwest, referred to above, not being completed during 2013 as originally anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

CAPITAL ASSETS (net of accumulated depreciation)

	<u>2011</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>
Land and easements	\$ 12,784	\$ -	\$ 12,784	\$ -	\$ 12,784
Sewer system	797,282	(77,672)	719,610	(76,712)	642,898
Water system	39,509	(7,559)	31,950	(7,559)	24,391
Total	<u>\$ 849,575</u>	<u>\$ (85,231)</u>	<u>\$ 764,344</u>	<u>\$ (84,271)</u>	<u>\$ 680,073</u>

Additional information on the District's capital assets can be located in Note 3 to the financial statements.

Long-Term Obligations

The District's long-term obligations are as follows:

LONG-TERM OBLIGATIONS

	<u>2011</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>	<u>2013</u>
Loan Agreement	<u>\$ 144,912</u>	<u>\$ (33,847)</u>	<u>\$ 111,065</u>	<u>\$ (35,387)</u>	<u>\$ 75,678</u>

Additional information on the District's long-term obligations can be located in Note 4 to the financial statements.

ECONOMIC FACTORS NEXT YEAR'S BUDGET

Following are key factors related to the District's 2014 budget:

- Total revenue for 2014 is budgeted at \$194,496.
- Property and specific ownership taxes for general operating purposes were budgeted in the amount of \$63,848, which represents 32.8% of total District budgeted revenue.
- Tap fees are budgeted in the amount of \$90,000. The tap fees projected are for approximately one half (15 taps) of the proposed Willowcroft Manor development.
- The District levied a general obligation property tax assessment in the amount of \$39,991 which is budgeted to satisfy its annual debt requirement.
- Total expenditures for 2014 is budgeted at \$190,645.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Columbine Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, Columbine Water & Sanitation District, 8739 W. Coal Mine Ave., Littleton, Colorado 80123.

COLUMBINE WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2013

With Comparative Totals for December 31, 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 549,017	\$ 556,794
Cash and investments - restricted	32,215	30,357
Cash with county treasurer	529	-
Property taxes receivable	97,900	98,000
Prepaid expenses	3,000	2,493
Total Current Assets	682,661	687,644
CAPITAL ASSETS		
Nondepreciable	12,784	12,784
Depreciable, net of accumulated depreciation	667,289	751,560
Total Capital Assets	680,073	764,344
Total Assets	1,362,734	1,451,988
 LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	14,425	12,073
Accrued interest payable	567	833
Developer deposits	12,978	-
Loan payable within one year	36,997	35,387
Total Current Liabilities	64,967	48,293
LONG-TERM LIABILITIES		
Loan payable in more than one year	38,681	75,678
Total Liabilities	103,648	123,971
 DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	97,900	98,000
Total Deferred Inflows of Resources	97,900	98,000
 NET POSITION		
Net investment in capital assets	603,828	652,446
Restricted for:		
Emergencies	2,660	2,507
Operations	29,555	27,850
Unrestricted	525,143	547,214
Total Net Position	\$ 1,161,186	\$ 1,230,017

The notes to the financial statements are an integral part of these statements.

COLUMBINE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2013

With Comparative Totals for the Year Ended December 31, 2012

	<u>2013</u>	<u>2012</u>
OPERATING EXPENSES		
Accounting	4,883	6,801
Administration	9,838	10,876
Audit	4,000	3,700
Insurance	3,355	2,688
Legal	9,986	10,407
Miscellaneous	554	569
Repairs and maintenance	59,678	50,580
Utilities	6,903	6,421
Depreciation	<u>84,271</u>	<u>85,231</u>
Total Operating Expenses	<u>183,468</u>	<u>177,273</u>
INCOME (LOSS) FROM OPERATIONS	<u>(183,468)</u>	<u>(177,273)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	98,343	97,928
Specific ownership taxes	6,759	6,114
Treasurer's fees	(1,477)	(1,210)
Interest income	905	1,380
Loan interest	<u>(4,338)</u>	<u>(5,892)</u>
Total Nonoperating Revenues (Expenses)	<u>100,192</u>	<u>98,320</u>
CAPITAL CONTRIBUTIONS		
Inclusion fees	<u>14,445</u>	<u>-</u>
Total capital contributions	<u>14,445</u>	<u>-</u>
NET INCOME (LOSS) - CHANGE IN NET POSITION	(68,831)	(78,953)
NET POSITION:		
BEGINNING OF YEAR	<u>1,230,017</u>	<u>1,308,970</u>
END OF YEAR	<u>\$ 1,161,186</u>	<u>\$ 1,230,017</u>

The notes to the financial statements are an integral part of these statements.

COLUMBINE WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2013

With Comparative Totals for the Year Ended December 31, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers	\$ (84,375)	\$ (90,522)
Net Cash Provided (Required) by Operating Activities	(84,375)	(90,522)
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES		
Property taxes	98,343	97,928
Specific ownership taxes	6,230	6,114
Treasurer's fees	(1,477)	(1,210)
Net Cash Provided (Required) by Noncapital Financing Activities	103,096	102,832
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on long-term debt	(35,387)	(33,847)
Interest paid on long-term debt	(4,603)	(6,145)
Inclusion fees	14,445	-
Net Cash Provided (Required) by Capital and Related Financing Activities	(25,545)	(39,992)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	905	1,380
Net Cash Provided (Required) by Investing Activities	905	1,380
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,919)	(26,302)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	587,151	613,453
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 581,232	\$ 587,151
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES		
Net income (loss) from operations	\$ (183,468)	\$ (177,273)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES		
Depreciation	84,271	85,231
Changes in Assets and Liabilities:		
Accounts payable	2,352	1,325
Deposits	12,977	-
Prepaid expenses	(507)	195
Net Adjustments	99,093	86,751
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	\$ (84,375)	\$ (90,522)

The notes to the financial statements are an integral part of these statements.

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2013

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Columbine Water and Sanitation District, located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units accounted for as a proprietary fund. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide water and sewer services to property within its service area primarily through intergovernmental agreements. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and all operations and administrative functions are contracted.

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2013

Recently Adopted Accounting Pronouncements That Could Affect This District

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statements also limits the use of the term deferred to items reported as deferred outflows of resources or deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 although the District elected to early implement GASB Statement 65 in fiscal year 2012.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The District has adopted Statement 61.

Recently Issued Accounting Pronouncements That Could Affect This District

There are no recently issued accounting pronouncements that could affect this District.

Basis of Presentation

The accompanying financial statements are presented per GASB No. 34.

The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position.

Major individual enterprise funds are reported as separate columns in the financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2013

The District reports the following major proprietary fund:

Enterprise Fund - The Enterprise Fund accounts for the activities associated with providing water and sewer services to the citizens of the District.

The Enterprise Fund accounts for the operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered.

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

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents. During 2013, the District incurred no noncash activities.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2013, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2013

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. This item is deferred property taxes, which is reported as a deferred inflow of resources until the revenue becomes available.

Long-Term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of any bond premium or discount where applicable.

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2013

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. water system improvements, sewer system improvements, and related items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets without regard to minimal threshold limits. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Revenues, Expenses and Changes in Net Assets as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Water and sewer systems	24-50 years
Slip lining	15 years

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Utility plant extensions constructed by various developers to serve their subdivisions are deeded to the District at no cost upon completion and acceptance. The District then assumes maintenance and capital replacement responsibility for the lines. The extensions (water and sewer lines) are accounted for at cost as determined by the developers.

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2013

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Comparative Data

Comparative total data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. For presentation purposes only, comparative total data for the prior year may have been reclassified.

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2013

Note 2: Cash and Investments

As of December 31, 2013, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 549,017
Cash and investments - Restricted	<u>32,215</u>
Total	<u>\$ 581,232</u>

Cash and investments as of December 31, 2013 consist of the following:

Deposits with financial institutions	\$ 636
Investments - COLOTRUST	<u>580,596</u>
	<u>\$ 581,232</u>

Restricted Cash and Cash Equivalents

The District had restricted cash and cash equivalents of \$30,357 at December 31, 2013, as follows:

Restricted Cash and Cash Equivalents:	
Operating reserve	\$ 29,555
Emergency reserve	<u>2,660</u>
	<u>\$ 32,215</u>

Cash and investments of \$2,660 were restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 6) at December 31, 2013.

The loan agreement with the Colorado Water Resources and Power Development Authority requires that the District maintain a three month operating reserve (see Note 4). For this purpose, the District has restricted cash and investments of \$29,555 at December 31, 2013.

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2013

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.

The District has elected to follow state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District has elected to follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's and the maturity is a weighted average under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2013, the District had \$581,232 invested in COLOTRUST.

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2013

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2013 follows:

Business-type Activities:	Balance 01-01-13	Additions	Deletions	Balance 12-31-13
<u>Capital assets not being depreciated:</u>				
Land and easements	\$ 12,784	\$ -	\$ -	\$ 12,784
<u>Capital assets being depreciated:</u>				
Sewer system	1,816,548	-	-	1,816,548
Water system	377,973	-	-	377,973
Total capital assets being depreciated:	2,194,521	-	-	2,194,521
<u>Accumulated depreciation:</u>				
Sewer system	(1,096,938)	(76,712)	-	(1,173,650)
Water system	(346,023)	(7,559)	-	(353,582)
Total accumulated depreciation	(1,442,961)	(84,271)	-	(1,527,232)
Total capital assets being depreciated, net of depreciation	751,560	(84,271)	-	667,289
Business-type assets, net	\$ 764,344	\$ (84,271)	\$ -	\$ 680,073

Note 4: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2013:

	Balance 01-01-13	Additions	Deletions	Balance 12-31-13	Current Portion
Loan Agreement	\$ 111,065	\$ -	\$ 35,387	\$ 75,678	\$ 36,997

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2013

A description of the long-term obligations as of December 31, 2013, is as follows:

\$424,230 Loan Agreement, Colorado Water Resources and Power Development Authority

On March 31, 2000, the District entered into a \$424,230 Loan Agreement with Colorado Water Resources and Power Development Authority (“Loan”). The proceeds from the Loan were used to construct sewer system improvements. The Loan is due in semiannual installments on May 1 and November 1 through November 1, 2015. The Loan accrues interest at 4.5%. The District has the option to prepay the Loan in whole or in part upon 90 days prior written notice.

Per the covenant and requirements of the Loan, the District is required to maintain a three-month operating reserve. At December 31, 2013, the District has a reserve of \$29,555 and is in compliance with the covenants and requirements of the Loan.

The following is a summary of the annual long-term debt principal and interest requirements.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 36,997	\$ 2,994	\$ 39,991
2015	<u>38,681</u>	<u>1,310</u>	<u>39,991</u>
	<u>\$ 75,678</u>	<u>\$ 4,304</u>	<u>\$ 79,982</u>

Note 5: Intergovernmental Agreements

Water Service Agreement – Denver Water Board

The District has a Total Service Water Service Agreement with the Board of Water Commissioners of the City and County of Denver (“Denver Water Board”) which was renegotiated in 1994 whereby the Denver Water Department provides water in the District’s service area and charges the users directly. The Denver Water Board has provided for service to future users within the District. All water lines in the District have been conveyed to the Denver Water Board which is responsible for the maintenance and repair of those lines.

Sewer Connector’s Agreement – City of Englewood

The District entered into a Connector’s Agreement dated February 23, 1989 with the City of Englewood (“City”), whereby the City provides sewer treatment services to users within the District’s service area and charges those users directly for such services. The agreement was for a term of three years and automatically renewed for 6 additional 3-year periods. The District is currently in the process of negotiating a long-term extension of this agreement.

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2013

Administration and Maintenance Agreement – Platte Canyon Water and Sanitation District

The District has an Administration and Maintenance Agreement with Platte Canyon Water and Sanitation District (“Platte Canyon”) whereby Platte Canyon will provide administrative and sewer maintenance services for the District. Costs incurred by the District in connection with the agreement are reported as repairs and maintenance expenses.

Maintenance Cost Allocation Agreement – Valley Sanitation District

The District has a Maintenance Cost Allocation Agreement with Valley Sanitation District (“Valley”) whereby the District agrees to pay a regular maintenance and service charge to compensate Valley for the District’s use of Valley’s outfall sewer line. The proportionate share is agreed to be 12.4% of Valley’s costs of normal operation, maintenance and administration.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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 business 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. The District’s management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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’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 will require judicial interpretation.

On November 5, 2002, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

COLUMBINE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2013

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

SUPPLEMENTAL INFORMATION

COLUMBINE WATER AND SANITATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) - For the Year Ended December 31, 2013

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 98,400	\$ 98,343	\$ (57)
Specific ownership taxes	8,000	6,759	(1,241)
Interest income	1,200	905	(295)
Inclusion fees	-	14,445	14,445
Total Revenues	107,600	120,452	12,852
EXPENDITURES			
Accounting	3,200	4,883	(1,683)
Administration	5,000	9,838	(4,838)
Audit	5,000	4,000	1,000
Insurance	3,000	3,355	(355)
Legal	4,800	9,986	(5,186)
Miscellaneous	600	554	46
Repairs and maintenance	85,350	59,678	25,672
Utilities	7,550	6,903	647
Loan principal	35,400	35,387	13
Loan interest	4,300	4,338	(38)
Treasurer's fees	1,900	1,477	423
Total Expenditures	156,100	140,399	15,701
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	\$ (48,500)	(19,947)	\$ 28,553
FUNDS AVAILABLE:			
BEGINNING OF YEAR		576,738	
END OF YEAR		\$ 556,791	
Funds available computed as follows:			
Current assets		\$ 682,661	
Current liabilities		(64,967)	
Deferred inflows of resources		(97,900)	
Add current portion of long-term debt		36,997	
		\$ 556,791	

The notes to the financial statements are an integral part of these statements.

COLUMBINE WATER AND SANITATION DISTRICT

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

For the Year Ended December 31, 2013

Excess of revenues over expenditures	\$ (19,947)
Add loan principal which is not an expense	35,387
Deduct depreciation which is an expense	<u>(84,271)</u>
Changes in Net Position per Statement Revenues, Expenses and Changes in Net Position	<u>\$ (68,831)</u>

The notes to the financial statements are an integral part of these statements.

COLUMBINE WATER AND SANITATION DISTRICT

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2013

**\$424,230 Colorado Water Resources and
Power Development Authority Loan
Dated March 31, 2000
Principal and Interest of 4.5%
Payable May 1 and November 1**

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 36,997	\$ 2,994	\$ 39,991
2015	<u>38,681</u>	<u>1,310</u>	<u>39,991</u>
	<u>\$ 75,678</u>	<u>\$ 4,304</u>	<u>\$ 79,982</u>

COLUMBINE WATER AND SANITATION DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2013

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		Percent Collected to Levied
		<u>Operations</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2008	\$ 39,610,720	1.528	1.009	\$ 100,492	\$ 100,548	100.06%
2009	\$ 40,260,090	1.528	0.993	\$ 101,496	\$ 101,123	99.63%
2010	\$ 41,012,480	1.528	0.975	\$ 102,654	\$ 102,792	100.13%
2011	\$ 41,158,680	1.528	0.971	\$ 102,855	\$ 102,838	99.98%
2012	\$ 37,984,560	1.528	1.053	\$ 98,038	\$ 97,928	99.89%
2013	\$ 38,193,390	1.528	1.047	\$ 98,347	\$ 98,343	100.00%
Estimated for year ending December 31, 2014	\$ 37,938,680	1.528	1.054	\$ 97,961		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.