

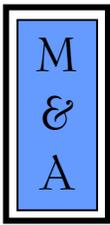
**North Shore Water District  
Grand Lake, Colorado**

**Financial Statements  
December 31, 2020**

**North Shore Water District  
Financial Report  
December 31, 2020**

**Table of Contents**

	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	A1 - A2
Financial Statements:	
Statement of Net Position	B1
Statement of Revenues, Expenses and Changes in Fund Net Position	B2
Statement of Cash Flows	B3
Notes to the Financial Statements	C1 – C7
Supplementary Information:	
Schedule of Revenues and Expenditures - Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis	D1
Reconciliation of Actual (Budgetary Basis) to Statement of Revenues, Expenses, and Changes in Net Position	D2



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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
North Shore Water District**

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

We have audited the accompanying financial statements of the North Shore Water District (the "District"), as of and for the year ended December 31, 2020, 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 North Shore Water District as of December 31, 2020, 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 23, 2021**

## **FINANCIAL STATEMENTS**

**North Shore Water District  
Statement of Net Position  
December 31, 2020**

**Assets:**

**Current Assets:**

Cash and cash equivalents	169,285
Receivables:	
Customer	6,537
Property taxes	1,546
<b>Total Current Assets</b>	<u>177,368</u>

**Non-current Assets:**

Water rights	4,200
Plant and improvements	1,502,650
Less: Accumulated depreciation	(547,479)
<b>Total Non-current Assets</b>	<u>959,371</u>
<b>Total Assets</b>	<u>1,136,739</u>

**Liabilities:**

**Current Liabilities:**

Accounts payable	352
Unavailable customer revenue	3,846
Accrued payroll	728
<b>Total Current Liabilities</b>	<u>4,926</u>

**Deferred Inflow of Resources:**

Deferred property taxes receivable	1,537
<b>Total Deferred Inflow of Resources</b>	<u>1,537</u>

**Net Position:**

Net investment in capital assets	959,371
Unrestricted	170,905
<b>Total Net Position</b>	<u>1,130,276</u>

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

**North Shore Water District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2020**

<b>Operating Revenues:</b>	
Service charges	99,548
Other income	1,001
<b>Total Operating Revenues</b>	<u>100,549</u>
<b>Operation and Maintenance Expenses:</b>	
Water testing and treatment	1,776
Three Lakes operation contract	23,356
Repair and maintenance	4,097
Utilities	3,019
Depreciation	25,865
<b>Total Operation and Maintenance Expenses</b>	<u>58,113</u>
<b>General and Administration</b>	
Three Lakes administration contract	17,304
Office expense	2,192
Director expense	5,180
Telephone	1,851
Insurance	2,182
Professional services	1,500
Miscellaneous	250
<b>Total General and Administration Expense</b>	<u>30,459</u>
<b>Total Operating Expense</b>	<u>88,572</u>
<b>Operating Income (Loss)</b>	11,977
<b>Non-operating Revenues (Expenses):</b>	
Property taxes	1,669
<b>Total Non-operating Revenues (Expenses)</b>	<u>1,669</u>
<b>Change in Net Position</b>	<u>13,646</u>
<b>Net Position (restated) - Beginning of Year</b>	<u>1,116,630</u>
<b>Net Position - End of Year</b>	<u><u>1,130,276</u></u>

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

**North Shore Water District  
Statement of Cash Flows  
For the Year Ended December 31, 2020**

<b>Cash Flows From Operating Activities:</b>	
Cash received from customers and others	100,510
Cash payments for goods and services	(57,056)
Cash payments to directors - salaries and benefits	(5,005)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>38,449</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Specific ownership tax	1,669
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>1,669</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	40,118
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>129,167</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>169,285</u>
Operating income (loss)	<u>11,977</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>	
Depreciation	25,865
(Increase) decrease in accounts receivable	(2,602)
(Increase) decrease in taxes receivable	(9)
(Increase) decrease in prepaid expenses	395
Increase (decrease) in accounts payable	76
Increase (decrease) in customer deposits	(1,274)
Increase (decrease) in deferred revenue	3,846
Increase (decrease) in payroll liabilities	175
<b>Total Adjustments</b>	<u>26,472</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>38,449</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**North Shore Water District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies**

North Shore Water District (the "District") was formed in 1964 to provide water services within its boundaries. 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.

**North Shore Water District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(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. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as unavailable property tax revenue.

**North Shore Water District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(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	25 - 50
Equipment and fixtures	5 - 25

**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. Deferred Inflow of Resources**

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. Property taxes levied in 2020 for collection in 2021 are reported as deferred inflows of resources.

**North Shore Water District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(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.

**North Shore Water District  
Notes to the Financial Statements  
December 31, 2020  
(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, 2020, the District did not have cash balance in excess of FDIC.

At December 31, 2020, 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	87,974	87,974
Investment pool	AAAm	81,311	81,311
Total cash and investments		<u>\$ 169,285</u>	<u>169,285</u>

The investment pools represent investments 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.

**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

**North Shore Water District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

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

**B. Capital Assets**

Capital asset activity for 2020 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Water rights	\$ 4,200	-	-	4,200
Total capital assets, not being depreciated	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>4,200</u>
Capital assets, being depreciated:				
Water system	1,502,650	-	-	1,502,650
Total capital assets, being depreciated	<u>1,502,650</u>	<u>-</u>	<u>-</u>	<u>1,502,650</u>
Less accumulated depreciation for:				
Water system	521,614	25,865	-	547,479
Total accumulated depreciation	<u>521,614</u>	<u>25,865</u>	<u>-</u>	<u>547,479</u>
Total capital assets, being depreciated, net	<u>981,036</u>	<u>(25,865)</u>	<u>-</u>	<u>955,171</u>
Total capital assets, net	<u>\$ 985,236</u>	<u>(25,865)</u>	<u>-</u>	<u>959,371</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 2020, the District paid \$23,356 and \$17,304, respectively, for operational and administrative services under the agreement.

**North Shore Water District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**IV. Other Information (continued)**

**C. Restatement of Beginning Balances**

The 2019 Audit Exemption form reported \$1,108,132 for fund balance at December 31, 2019. During the audit of 2020, an adjustment was needed to reduce 2019 depreciation expense by \$8,760. There was an additional \$262 change in revenue. The net effect of the restatement was to increase 2019 fund balance by \$8,498.

**SUPPLEMENTARY INFORMATION**

**North Shore Water District**  
**Schedule of Revenues, Expenditures, and Funds Available**  
**For the Year Ended December 31, 2020**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Final Budget Variance Positive (Negative)</b>
<b>Revenues:</b>			
Service charges	99,552	99,548	(4)
Water tap fees	6,000	-	(6,000)
Inspection fees	25	25	-
Property tax	1,667	1,669	2
Investment income	2,400	976	(1,424)
Miscellaneous	200	-	(200)
<b>Total Revenues</b>	<u>109,844</u>	<u>102,218</u>	<u>(7,626)</u>
<b>Expenditures:</b>			
<b>Water Service:</b>			
Election expense	3,000	56	2,944
Insurance	1,860	2,182	(322)
Professional fees	7,000	1,500	5,500
Licenses and fees	700	818	(118)
Miscellaneous	150	174	(24)
General operating	200	-	200
Office expense	987	1,319	(332)
Repairs and maintenance	18,000	4,097	13,903
Director expense	12,111	5,180	6,931
Telephone	2,000	1,850	150
Treasurer's fees	73	76	(3)
Utilities	4,600	3,019	1,581
Water testing, treatment, lease	6,100	1,776	4,324
Three Lakes operation contract	26,256	23,356	2,900
Three Lakes administration	17,304	17,304	-
<b>Total Expenditures</b>	<u>100,341</u>	<u>62,707</u>	<u>37,634</u>
<b>Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis</b>	9,503	39,511	30,008
<b>Funds Available (restated) - Beginning of Year</b>	<u>132,469</u>	<u>131,394</u>	<u>(1,075)</u>
<b>Funds Available - End of Year</b>	<u><u>141,972</u></u>	<u><u>170,905</u></u>	<u><u>28,933</u></u>

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

**North Shore Water District**  
**Reconciliation of Actual (Budgetary Basis) to Statement of**  
**Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2020**

<b>Excess (Deficiency) of Revenues</b>	
<b>Over Expenditures - Budgetary Basis</b>	<u>39,511</u>
<b>Reconciling Items:</b>	
Depreciation	<u>(25,865)</u>
<b>Total Reconciling Items</b>	<u>(25,865)</u>
<b>Change in Net Position per Statement of Revenues, Expenses</b>	
<b>and Changes in Net Position</b>	<u><u>13,646</u></u>

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