

CHATFIELD WATERSHED AUTHORITY

FINANCIAL STATEMENTS

December 31, 2011

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CERTIFIED
PUBLIC
ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Chatfield Watershed Authority
Castle Rock, Colorado

We have audited the accompanying financial statements of the governmental activities and major fund of the Chatfield Watershed Authority as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the Chatfield Watershed Authority, as listed in the table of contents. These financial statements are the responsibility of the Chatfield Watershed Authority's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Chatfield Watershed Authority as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Chatfield Watershed Authority adopted the provisions of GASB Statement No 54 *Fund Balance Reporting And Governmental Fund Type Definitions* in 2011.

Accounting principles generally accepted in the United States of America require the budgetary comparison information on page 11 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 the required supplementary 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 the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management has omitted the management discussion and

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Chatfield Watershed Authority

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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.

April 20, 2012

Paystr & Adams, LLC

BASIC FINANCIAL STATEMENTS

CHATFIELD WATERSHED AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<u>Assets</u>			
Cash and investments	\$ 104,581	\$ 0	\$ 104,581
Total Assets	<u>104,581</u>	<u>0</u>	<u>104,581</u>
 <u>Liabilities and Fund Balance/Net Assets</u>			
<u>Liabilities</u>			
Accounts payable	<u>11,029</u>	<u>0</u>	<u>11,029</u>
Total liabilities	<u>11,029</u>	<u>0</u>	<u>11,029</u>
 <u>Fund Balance</u>			
Committed	25,000	(25,000)	0
Unassigned	<u>68,552</u>	<u>(68,552)</u>	<u>0</u>
Total fund balance	<u>93,552</u>	<u>(93,552)</u>	<u>0</u>
 Total Liabilities and Fund Balance	 <u>\$ 104,581</u>		
 <u>Net Assets</u>			
Unrestricted		<u>93,552</u>	<u>93,552</u>
 Total Liabilities and Net Assets		 <u>\$ 93,552</u>	 <u>\$ 93,552</u>

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

CHATFIELD WATERSHED AUTHORITY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<u>Revenues</u>			
Fees			
Membership	\$ 172,000	\$ 0	\$ 172,000
Interest income	<u>204</u>	<u>0</u>	<u>204</u>
Total revenues	<u>172,204</u>	<u>0</u>	<u>172,204</u>
<u>Expenditures/Expenses</u>			
Current			
District management and administration	89,587		89,587
Office expense	433		433
Professional fees	4,946		4,946
Website	1,800		1,800
Monitoring	49,355		49,355
Public outreach	<u>9,370</u>		<u>9,370</u>
Total expenditures/expenses	<u>155,491</u>		<u>155,491</u>
Excess of revenues over expenditures	16,713	(16,713)	0
Changes in net assets		16,713	16,713
Fund balance/net assets, January 1, 2011	<u>76,839</u>	<u>0</u>	<u>76,839</u>
Fund balance/net assets, December 31, 2011	<u>\$ 93,552</u>	<u>\$ 0</u>	<u>\$ 93,552</u>

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

CHATFIELD WATERSHED AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chatfield Watershed Authority (Authority) was created in 1984 as authorized by the Colorado Department of Public Health and Environment. The Authority promotes protection of water quality in the Chatfield Watershed for recreation, fisheries, drinking water supplies, and other beneficial uses.

The Authority is governed by an eighteen member board of directors (Board). Each membership entity has a seat on the Board. The Authority has no employees and all operations and administrative functions are contracted.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Authority and organizations for which the Authority is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. In addition, any legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Authority.

Based upon the application of these criteria, the Authority does not report additional organizations within its reporting entity.

Measurement Focus, Basis Of Accounting And Financial Statement Presentation

The statement of net assets column on the governmental fund balance sheet/statement of net assets and the statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities 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.

The governmental funds column on the governmental fund balance sheet/statement of net assets and the statement of governmental revenues, expenditures, and changes in fund balance/statement of activities are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Membership fees, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the Authority. For the year ended December 31, 2011, five members accounted for approximately 85% of total revenues. The two largest members were each 41% of total revenues.

CHATFIELD WATERSHED AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis Of Accounting And Financial Statement Presentation (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued after November 30, 1989, generally are followed in both the statement of net assets column on the governmental fund balance sheet/statement of net assets and the statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

In the fund financial statements, the Authority reports the following major governmental fund.

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

Assets, Liabilities and Net Assets/Fund Balances

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure, are reported in the statement of net assets column on the governmental fund balance sheet/statement of net assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Long-Term Debt – In the statement of net assets column on the governmental fund balance sheet/statement of net assets long-term debt and other long-term obligations are reported as liabilities in the statement of net assets column.

The governmental funds column on the statement of governmental revenues, expenditures, and changes in fund balance/statement of activities recognize debt transactions as revenues and expenditures during the current year. The face amount of debt issued is reported as other financing sources.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CHATFIELD WATERSHED AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the Authority's Board of Directors approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditure level and lapses at year end. The Authority'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.

NOTE 2 - CASH AND INVESTMENTS

Deposits

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 regulations. Amount on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 uninsured deposits. At December 31, 2011, all Authority deposits, with a bank and carrying balance totaling \$104,581 were covered by the Federal Deposit Insurance Corporation (FDIC) insurance.

Investments

The Authority is required to comply with State statutes which specify instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. State statutes do not address custodial risk. The Authority has no investment policy but follows State statutes which allow the following investments.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- General obligation and revenue bonds of U.S. local government 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

The Authority had no investments at December 31, 2011. As such, the Authority has no exposure to credit risk, concentration of credit risk, custodial credit risk, or interest rate risk.

NOTE 3 - NET ASSETS

The Authority has net assets consisting of three components invested in capital assets, restricted and unrestricted. At December 31, 2011, the Authority had no invested in capital assets or restricted net assets.

CHATFIELD WATERSHED AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - FUND BALANCE

The Authority adopted GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Based on that statement fund balances of the governmental funds are classified as follows:

Nonspendable — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Authority has no unspendable funds.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The Authority has no restricted fund balance.

Committed — Amounts that can be used only for specific purposes determined by a formal action of Authority's Board. The Board is the highest level of decision-making body for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At December 31, 2011, the amount of matching funds on the Watershed Plan and Plum Creek Grants are reflected as committed fund balance.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes. The Authority has no assigned fund balance.

Unassigned — All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

NOTE 5 - CONTRIBUTED SERVICES

Contributed services of \$30,000 are included in both membership revenues and monitoring expense, which represent the donation of services by Denver Water.

NOTE 6 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For these risks of loss, the Authority is self insured. Due to the nature of the Authority and its operations, management believes commercial insurance is not necessary.

CHATFIELD WATERSHED AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Amendment") which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. Due to the nature of its formation, the Authority does not believe it is subject to the provisions of this amendment.

Contractual Commitments

The Authority has no employees. For the fiscal year ending December 31, 2012, the Authority has signed contracts totaling \$116,400 for Authority operations and \$40,675 for various projects.

REQUIRED SUPPLEMENTARY INFORMATION

CHATFIELD WATERSHED AUTHORITY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Fees			
Membership	\$ 219,500	\$ 172,000	\$ (47,500)
Interest income	200	204	4
Total revenues	<u>219,700</u>	<u>172,204</u>	<u>(47,496)</u>
<u>Expenditures/Expenses</u>			
Current			
District management and administration	99,200	89,587	9,613
Office expense	1,500	433	1,067
Professional fees	4,000	4,946	(946)
Website	1,800	1,800	0
Project implementation	25,500	0	25,500
Public outreach	8,300	9,370	(1,070)
Monitoring	35,250	39,461	(4,211)
Other administrative costs	10,000	0	10,000
Contingency	5,000	9,894	(4,894)
Total expenditures/expenses	<u>190,550</u>	<u>155,491</u>	<u>35,059</u>
Excess of revenues over expenditures	<u>\$ 29,150</u>	16,713	<u>\$ (12,437)</u>
Fund balance, January 1, 2011		<u>76,839</u>	
Fund Balance, December 31, 2011		<u>\$ 93,552</u>	

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