

**PINE BROOK WATER DISTRICT
Boulder, CO**

**FINANCIAL STATEMENTS
For the Year Ended December 31, 2011 and 2010**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	6
Statements of Revenues, Expenses, and Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Financial Statements	10
SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – Non-GAAP Basis	19

David B. Green • CPA • LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pine Brook Water District
Boulder, CO

We have audited the accompanying basic financial statements of Pine Brook Water District as of and for the year ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Brook Water District as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 5 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



March 15, 2012
Brighton, Colorado

2700 East Bridge St., Ste A
Brighton, CO 80601

David B. Green • CPA • LLC

PHONE (720) 839-6458
www.GreenCPAfirm.com

Certified Public Accountants & Business Consultants

Management's Discussion and Analysis

Pine Brook Water District

Management's Discussion and Analysis

Introduction:

Pine Brook Water District's management discussion and analysis is intended to provide you, the reader and user of our financial statements, with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budget; and, (e) an assessment of any future financial or operating issues of the District.

Important notes are that;

1. The Pine Brook Water District did not increase their water rates for 2011.
2. The Pine Brook Water District did not amend the budget in 2011.
3. The Pine Brook Water District considers it's operations as an Enterprise Fund since it is funded by water sales and no property taxes are used to fund the operational costs.

Because this discussion and analysis is intended to focus on the 2011 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 6.

Overview of the Financial Statements of the District:

The audited financial statements of the District are:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements

These statements are on pages 6 through 18. These and the Other Supplementary Information, Budgetary Comparison Schedule of Revenues and Expenditures on page 19 provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net Assets** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in assets (net assets). Over time, the comparison of changes in net assets may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining the status quo.

The **Statement of Revenues, Expenses, and Changes in Net Assets** provides information about the components – Operating Revenues, Operating Expenses and Non Operating Revenues and Expenses – of the District's annual operating activities and how those activities affected Net Assets.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements. The **Budgetary Comparison Schedule of Revenues and Expenditures** provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, this will include a comparison of the originally approved budget with the final amended budget.

Condensed Comparative Financial Information:

Statement of Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current Assets			
Cash and cash equivalents	\$ 289,583	\$ 329,704	\$ 265,905
Other current assets	406,439	415,704	414,048
	<u>696,022</u>	<u>745,408</u>	<u>679,953</u>
Non Current Assets			
Capital assets – net	7,498,040	7,401,653	7,505,728
Other non current assets	110,245	121,144	132,044
Total Assets	<u>8,304,307</u>	<u>8,268,205</u>	<u>8,317,725</u>
Current Liabilities	695,983	687,088	652,563
Long – Term Debt	4,728,059	4,923,174	5,112,173
Total Liabilities	<u>5,424,042</u>	<u>5,610,262</u>	<u>5,764,736</u>
Net Assets			
Invested in capital assets – net	2,574,866	2,289,479	2,210,622
Restricted	-	-	-
Unrestricted	305,399	368,464	342,367
Total Net Assets	<u>\$ 2,880,265</u>	<u>\$ 2,657,943</u>	<u>\$ 2,552,989</u>

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues	\$ 457,682	\$ 443,224	\$ 389,052
Operating Expenses	<u>535,866</u>	<u>524,824</u>	<u>474,244</u>
Operating Income (Loss)	<u>(78,184)</u>	<u>(81,600)</u>	<u>(85,192)</u>
Non Operating Revenues (Expenses)	<u>300,506</u>	<u>186,554</u>	<u>132,717</u>
Change in Net Assets	222,322	104,954	47,525
Net Assets, Beginning of Year	2,657,943	2,552,989	2,505,464
Net Assets, End of Year	<u>\$ 2,880,265</u>	<u>\$ 2,657,943</u>	<u>\$ 2,552,989</u>

Statement of Cash Flows

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash from (for) Operating Activities	\$ 90,219	\$ 90,151	\$ 65,355
Cash from Non Capital Financing Activities	527,287	406,316	370,728
Cash from (for) Capital and Related Financing Activities	(658,060)	(433,258)	(450,005)
Cash from (for) Investing Activities	<u>433</u>	<u>590</u>	<u>888</u>
Increase (Decrease)	<u>(40,121)</u>	<u>63,799</u>	<u>(13,034)</u>
Cash and Cash Equivalents, Beginning of Year	329,704	265,905	278,939
Cash and Cash Equivalents, End of Year	<u>\$ 289,583</u>	<u>\$ 329,704</u>	<u>\$ 265,905</u>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 6.

Analysis of Financial Position and Operating Results:

Net Assets increased in 2011 by \$222,322 to \$2,880,265. This is the result of the operating loss of \$78,184, plus net non-operating revenues of \$300,506.

Unrestricted cash, cash equivalents, and investments of the District at December 31, 2011, totaled \$289,583, which represents approximately 42% of the District's current assets and approximately 3.5% of the District's total assets.

Capital Assets, net of accumulated depreciation, of the District at December 31, 2011, totaled \$7,608,285, which represents approximately 91.6% of the District's total assets.

Operating income for 2011, before depreciation and amortization expense, was \$83,585 compared to an operating expense before depreciation and amortization expense for 2010 of \$77,710. This is a \$5,875 increase. This was principally due to increased system operating revenues for the year.

Net non-operating revenues for 2011 were \$113,952 more than in 2010, due to an increase in grants that were received.

For more information about these changes in net assets and the operating activities, please review the accompanying audited financial statements beginning on page 6.

Analysis of Budgetary Comparison Schedule of Revenues and Expenditures:

Actual revenues in 2011 were \$170,670 less than the final budgeted revenues for the District. This is principally due to the sales of water rights that were budgeted however the sale was not completed in 2011.

The Districts actual expenditures in 2011 were \$60,955 less than the final budgeted expenditures. This is principally due to lower than budgeted capital spending.

For more information about the budgeted and actual revenues and expenditures, please review the Budgetary Comparison Schedule of Revenues and Expenditures, which is on page 19 in the accompanying audited financial statements.

Capital Asset and Long Term Debt Activity:

The 2011 budget authorized \$293,150 in capital spending. Actual capital spending in 2011 was \$247,257, which consisted primarily of upgrades to the filter plant

For more information about the District's capital assets see page 16 of the Notes to Financial Statements in the accompanying audited financial statements.

Long-Term Debt:

The District did not incur any additional long-term debt during 2011. The only activity was scheduled principal and interest payments. For a complete description see Note 5 on pages 16-17.

Other:

There are no currently known facts, decisions, or conditions, which are expected to or may likely have a significant effect on the financial condition and results of operation in subsequent reporting periods.

Requests for Information. This financial report is designed to provide a general overview of Pine Brook Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the District at 1903 Linden Drive, Boulder, CO 80304.

Basic Financial Statements

**Pine Brook Water District
Statement of Net Assets
December 31, 2011 and 2010**

	2011	2010
Assets		
Current Assets		
Cash and investments	\$ 289,583	\$ 329,704
Accounts receivable	32,725	35,546
Property taxes receivable	364,162	358,803
Inventory	-	12,398
Prepaid expenses	9,552	8,957
Total Current Assets	696,022	745,408
Noncurrent Assets		
Bond issuance costs net of accumulated amortization of \$96,021 and \$85,122 , respectively	110,245	121,144
Capital assets		
Nondepreciable	616,571	651,594
Depreciable	9,113,676	8,848,007
Less: Accumulated depreciation	(2,232,207)	(2,097,948)
Net Capital Assets	7,498,040	7,401,653
Total Noncurrent Assets	7,608,285	7,522,797
Total Assets	8,304,307	8,268,205
Liabilities		
Current Liabilities		
Accounts payable	13,305	13,092
Wages payable	12,247	12,247
Compensated absences	5,326	5,181
Other accrued liabilities	1,432	2,020
Deferred property tax revenue	364,162	358,803
Accrued interest payable	82,796	85,146
Deposits received	21,600	21,600
Long-term debt, current portion	195,115	188,999
Total Current Liabilities	695,983	687,088
Noncurrent Liabilities		
Long-term debt	4,728,059	4,923,174
Total Liabilities	5,424,042	5,610,262
Net Assets		
Invested in capital assets, net of related debt	2,574,866	2,289,479
Unrestricted	305,399	368,464
Total Net Assets	\$ 2,880,265	\$ 2,657,943

Pine Brook Water District
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Water sales	\$ 457,682	\$ 443,224
Total Operating Revenues	<u>457,682</u>	<u>443,224</u>
Operating Expenses		
Administrative and general	50,858	39,252
Water operating expenses	129,105	131,054
Employee and benefit costs	194,134	195,208
Depreciation and amortization	<u>161,769</u>	<u>159,310</u>
Total Operating Expenses	<u>535,866</u>	<u>524,824</u>
Operating Loss	<u>(78,184)</u>	<u>(81,600)</u>
Nonoperating Revenues (Expenses)		
Property and specific ownership taxes, net of fees	369,510	369,741
Grants	136,511	44,335
Investment income	433	590
Miscellaneous income	13,506	-
Interest expense and related fees	<u>(219,454)</u>	<u>(228,112)</u>
Total Nonoperating Revenues (Expenses)	<u>300,506</u>	<u>186,554</u>
Change in Net Assets	222,322	104,954
Net Assets, beginning of year	<u>2,657,943</u>	<u>2,552,989</u>
Net Assets, end of year	<u>\$ 2,880,265</u>	<u>\$ 2,657,943</u>

**Pine Brook Water District
Statement of Cash Flows
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 452,743	\$ 446,396
Cash paid to suppliers	(215,703)	(203,853)
Cash paid to employees	(146,821)	(152,392)
Net cash provided (used) by operating activities	<u>90,219</u>	<u>90,151</u>
 Cash Flows From Non-Capital Financing Activities		
Property and specific ownership taxes, net of fees	369,510	369,741
Grant revenue	144,271	36,575
Miscellaneous income	13,506	-
Net cash provided (used) by non-capital financing activities	<u>527,287</u>	<u>406,316</u>
 Cash Flows From Capital And Related Financing Activities		
Acquisitions and construction of capital assets	(247,257)	(44,335)
Deposits received on capital assets	-	21,600
Principal paid on long term debt	(188,999)	(182,933)
Interest paid on long term debt	(221,804)	(227,590)
Net cash provided (used) in capital and related financing activities	<u>(658,060)</u>	<u>(433,258)</u>
 Cash Flows From Investing Activities		
Investment income received	433	590
Net cash provided (used) by investing activities	<u>433</u>	<u>590</u>
 Net increase (decrease) in cash and cash equivalents	 (40,121)	 63,799
 Cash and cash equivalents, beginning of year	 <u>329,704</u>	 <u>265,905</u>
Cash and cash equivalents, end of year	<u>\$ 289,583</u>	<u>\$ 329,704</u>

**Pine Brook Water District
Statement of Cash Flows (Continued)
For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Loss	\$ (78,184)	\$ (81,600)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation and amortization	161,769	159,310
Changes in assets and liabilities		
Accounts receivable	(4,939)	3,172
Prepaid expenses	(595)	48
Inventory	12,398	3,103
Accounts payable	213	5,068
Other accrued liabilities	(443)	1,050
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 90,219</u>	<u>\$ 90,151</u>

**Pine Brook Water District
Notes to Financial Statements
December 31, 2011 and 2010**

Note 1 Summary of Significant Accounting Policies

Pine Brook Water District is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water services within its jurisdictional boundaries.

The financial statements of the Pine Brook Water District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Financial Reporting Entity

In accordance with governmental accounting standards, the Pine Brook Water District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability.

The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds are recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales and service. Operating expenses 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 nonoperating revenues and expenses.

The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The District has elected not to follow FASB pronouncements issued since that date.

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all General and Special Revenue funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15.

Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Allowance of Doubtful Accounts

No allowance is made for bad debts in the accompanying financial statements as substantially all revenues of the district originate from charges to the owners of the District, and the District has the ability to place liens on the property.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed once a month on 30 day cycles.

**Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2011 and 2010**

Note 1 Summary of Significant Accounting Policies (Continued)

Inventories

Inventories, consisting primarily of operating supplies for water meter repair and installations, have been valued at cost, on a first-in first-out basis.

Prepaid Expense

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Assets and Liabilities

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets – capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Expenditures for maintenance and repairs are charge to operations as incurred. Property replacements and improvements which extend the lives of assets are capitalized and subsequently depreciated. Contributed assets are reported at their fair market value at the date received.

Property and equipment of the District is depreciated using the straight line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Reservoir	100 years
Wells and water systems	5-60 years
Firehouse	10-40 years
Meter-read equipment	7 years
Transportation	5-10 years
Office Equipment	3-7 years

Deferrals

Debt issuance costs are deferred and amortized over the life of the debt using the effective interest method. Debt issuance costs are reported as intangible assets.

Deferred revenues – deferred revenues include property taxes, which have been certified but not yet collected.

Accrued vacation and sick pay - In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability

The District has recorded a liability of \$5,326 and \$5,181 at December 31, 2011 and 2010, respectively.

**Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2011 and 2010**

Note 1 Summary of Significant Accounting Policies (Continued)

Contributions in Aid of Construction

Contributions of cash, transmission lines and water rights to the District by developers, customers or by agreements with others are treated as capital contributions on the District's statement of revenues, expenses and changes in net assets. None were received during 2011 and 2010.

Net Assets

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net assets before utilizing unrestricted net assets when an expense is incurred for both purposes.
- c. Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." These net assets are available for future operations or distributions.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2011 and 2010, the District's cash deposits had a carrying balance of \$21,159 and \$11,738 and a corresponding bank balance of \$21,279 and \$11,858, respectively. The balance on deposit was insured by the Federal Deposit Insurance Corporation in the amount of \$21,279 and \$11,858 for the year ended December 31, 2011 and 2010, respectively.

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 2 Cash and Investments (Continued)

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. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The district had cash of \$0 and \$0 collateralized under PDPA at December 31 2011 and 2010, respectively.

The Colorado Divisions of Banking and Financial 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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-1-1, the Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. As of December 31, 2011, none of the District's deposits were exposed to custodial credit risk.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates. The District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

- Obligations of the United States and certain United States government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of United States 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.

**Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2011 and 2010**

Note 2 Cash and Investments (Continued)

A summary of cash and investments at December 31, 2011, is as follows:

	<u>2011</u>	<u>2010</u>
Cash with County Treasurer	\$ 1,253	\$ 1,341
Cash deposits	21,159	11,738
Money markets	<u>267,171</u>	<u>316,625</u>
Total cash and cash equivalents	<u>\$ 289,583</u>	<u>\$ 329,704</u>

The money market accounts were not rated as of December 31, 2011 and 2010.

Note 3 Accounts Receivable

Accounts receivable balance at December 31, 2011 and 2010, was comprised of the following:

	<u>2011</u>	<u>2010</u>
Water customers	\$ 32,725	\$ 27,786
Grants receivable	-	7,760
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 32,725</u>	<u>\$ 35,546</u>

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 4 Capital Assets

A summary of changes to capital assets for 2011 and 2010 is as follows:

	<u>Balance at 12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2011</u>
Nondepreciable				
Water rights	\$ 607,259	\$ -	\$ -	\$ 607,259
Construction in progress	44,335	9,312	(44,335)	9,312
Total Nondepreciable	<u>651,594</u>	<u>9,312</u>	<u>(44,335)</u>	<u>616,571</u>
Depreciable				
Reservoir	5,284,824	-	-	5,284,824
Wells and water systems	3,268,054	222,404	-	3,490,458
Firehouse	137,437	-	-	137,437
Meter-read equipment	82,254	-	-	82,254
Transportation	46,140	58,126	(16,611)	87,655
Office equipment	29,298	1,750	-	31,048
Total Depreciable	<u>8,848,007</u>	<u>282,280</u>	<u>(16,611)</u>	<u>9,113,676</u>
TOTAL	<u>9,499,601</u>	<u>291,592</u>	<u>(60,946)</u>	<u>9,730,247</u>
Less Accumulated Depreciation				
Reservoir	(262,062)	(53,436)	-	(315,498)
Wells and water systems	(1,646,277)	(86,367)	-	(1,732,644)
Firehouse	(47,785)	(4,456)	-	(52,241)
Meter-read equipment	(82,254)	-	-	(82,254)
Transportation	(30,846)	(5,893)	16,611	(20,128)
Office equipment	(28,724)	(718)	-	(29,442)
Total Accumulated Depreciation	<u>(2,097,948)</u>	<u>(150,870)</u>	<u>16,611</u>	<u>(2,232,207)</u>
Net Capital Assets	<u>\$ 7,401,653</u>	<u>\$ 140,722</u>	<u>\$(44,335)</u>	<u>\$ 7,498,040</u>

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 4 Capital Assets (Continued)

	Balance at 12/31/2009	Additions	Deletions	Balance at 12/31/2010
Nondepreciable				
Water rights	\$ 607,259	\$ -	\$ -	\$ 607,259
Construction in progress	-	44,335	-	44,335
Total Nondepreciable	<u>607,259</u>	<u>44,335</u>	<u>-</u>	<u>651,594</u>
Depreciable				
Reservoir	5,284,824	-	-	5,284,824
Wells and water systems	3,268,054	-	-	3,268,054
Firehouse	137,437	-	-	137,437
Meter-read equipment	82,254	-	-	82,254
Transportation	46,140	-	-	46,140
Office equipment	29,298	-	-	29,298
Total Depreciable	<u>8,848,007</u>	<u>-</u>	<u>-</u>	<u>8,848,007</u>
TOTAL	<u>9,455,266</u>	<u>44,335</u>	<u>-</u>	<u>9,499,601</u>
Less Accumulated Depreciation				
Reservoir	(208,680)	(53,382)	-	(262,062)
Wells and water systems	(1,560,653)	(85,624)	-	(1,646,277)
Firehouse	(43,339)	(4,446)	-	(47,785)
Meter-read equipment	(82,254)	-	-	(82,254)
Transportation	(26,628)	(4,218)	-	(30,846)
Office equipment	(27,984)	(740)	-	(28,724)
Total Accumulated Depreciation	<u>(1,949,538)</u>	<u>(148,410)</u>	<u>-</u>	<u>(2,097,948)</u>
Net Capital Assets	<u>\$ 7,505,728</u>	<u>\$ (104,075)</u>	<u>\$ -</u>	<u>\$ 7,401,653</u>

Depreciation expense for the year ended December 31, 2011 and 2010 was \$150,870 and \$148,410, respectively.

Amortization charged to expense for the year ended December 31, 2011 and 2010 was \$10,899 and \$10,900, respectively.

Note 5 Long-term Debt

The District's long-term debt is as follows:

\$5,400,000 general obligation bond dated May 4, 2004, for construction of a water reservoir and related facilities. The interest rate on the bond varies from 2.1% to 4.62% and the final bond payment is due August 1, 2029. The District is authorized to collect up to \$420,000 annually for the purpose of paying the costs of the District debt issued for the water reservoir purposes. The mill levy shall be increased in any year without limitation as to rate, but only in an amount sufficient to pay the principal and interest of such debt.

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 5 Long-term Debt (Continued)

On May 23, 2008, the District issued an Enterprise Revenue Note Series 2008 in the amount of \$685,039. The note is a limited and special obligation of the District payable from all legally available revenues of the District from operations. The note is a twenty year obligation, which accrues interest at 4.65%, and is payable annually in the amount of \$52,000 principal and interest beginning November 1, 2008.

Changes in Long-term Debt during 2011 and 2010 were as follows:

	Balance 12/31/10	Additions	Reductions	Balance 12/31/11	Amounts Due Within One Year
2004 A Bond	\$ 4,510,000	\$ -	\$ 165,000	\$ 4,345,000	\$ 170,000
2008 revenue note	<u>602,173</u>	<u>-</u>	<u>23,999</u>	<u>578,174</u>	<u>25,115</u>
Total Long-term Debt	<u>\$ 5,112,173</u>	<u>\$ -</u>	<u>\$ 188,999</u>	<u>\$ 4,923,174</u>	<u>\$ 195,115</u>

	Balance 12/31/09	Additions	Reductions	Balance 12/31/10	Amounts Due Within One Year
2004 A Bond	\$ 4,670,000	\$ -	\$ 160,000	\$ 4,510,000	\$ 165,000
2008 revenue note	<u>625,106</u>	<u>-</u>	<u>22,933</u>	<u>602,173</u>	<u>23,999</u>
Total Long-term Debt	<u>\$ 5,295,106</u>	<u>\$ -</u>	<u>\$ 182,933</u>	<u>\$ 5,112,173</u>	<u>\$ 188,999</u>

Future debt service requirements are as follows:

Year ending December 31,	Principal	Interest	Total
2012	\$ 195,115	\$ 214,990	\$ 410,105
2013	201,283	208,127	409,410
2014	207,505	200,780	408,285
2015	213,784	193,020	406,804
2016	225,122	184,838	409,960
2017-2021	1,272,971	775,079	2,048,050
2022-2026	1,582,104	431,564	2,013,668
2027-2029	<u>1,025,290</u>	<u>93,912</u>	<u>1,119,202</u>
Total	<u>\$ 4,923,174</u>	<u>\$ 2,302,310</u>	<u>\$ 7,225,484</u>

Note 6 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 6 Tax, Spending, and Debt Limitation (Continued)

The District has created a Water statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution.

Note 7 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 disaster. The District carries commercial insurance for all risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 Contingencies

The District has entered into an agreement to sell 12 acre feet of annual reusable return flows of water rights for \$216,000. On April 9, 2010 the District received a deposit in the amount of \$21,600 which is included as a liability on the Statement of Net Assets. The completion of this sale is contingent upon court approval of the buyers augmentation plan and therefore no date has been established to complete the sale of this asset. The sale was subsequently completed in May of 2012.

Note 9 Reclassifications

Certain items have been reclassified from the previous year to conform with the presentation of the current years financial statements.

Other Supplementary Information

**Pine Brook Water District
Budgetary Comparison Schedule
Non-GAAP Basis
For the Year Ended December 31, 2011**

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Water sales	\$ 430,000	\$ 457,682	\$ 27,682
Property taxes, net of fees	358,612	353,700	(4,912)
Specific ownership taxes	9,000	15,810	6,810
Investment income	300	433	133
Grants	156,000	136,511	(19,489)
Miscellaneous income	-	13,506	13,506
Capital contributions	-	-	-
Water rights sale	194,400	-	(194,400)
Transfers from prior year reserves	-	52,165	52,165
Total Revenues	<u>1,148,312</u>	<u>1,029,807</u>	<u>(118,505)</u>
Expenses			
Employee and benefit expenses	199,500	194,134	5,366
Water operating expenses	136,000	129,105	6,895
General and administrative	28,000	50,858	(22,858)
Debt Service and related expenditures			
Principal payments	188,999	188,999	-
Interest and related fees	221,804	219,454	2,350
Capital expenditures	293,150	247,257	45,893
Reserves	23,309	-	23,309
Total Expenses	<u>1,090,762</u>	<u>1,029,807</u>	<u>\$ 60,955</u>
Revenues (under) Expenditures	<u>\$ 57,550</u>	<u>-</u>	
Reconciliation of GAAP basis			
Depreciation and amortization		(161,769)	
Principal payments		188,999	
Capital outlay		247,257	
Transfers from reserves		(52,165)	
Net Income GAAP Basis		<u>\$ 222,322</u>	