

**PINE BROOK WATER DISTRICT
Boulder, CO**

**FINANCIAL STATEMENTS
For the Year Ended December 31, 2015 and 2014**

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pine Brook Water District
Boulder, CO

We have audited the accompanying financial statements of the business type activities and each major fund of Pine Brook Water District as of and for the year ended December 31, 2015 and 2014, which collectively comprise the District's basic financial statements as listed in the table of contents and the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

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 and each major fund, of the Pine Brook Water District as of December 31, 2015 and 2014, 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.

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Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 6 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pine Brook Water District's basic financial statements. The *budgetary comparison schedule and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements.

The *budgetary comparison schedule and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is the responsibility of management and was derived from and relate 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 *budgetary comparison schedule and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated *April 4, 2016* on our consideration of Pine Brook Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pine Brook Water District's internal control over financial reporting and compliance.



April 4, 2016
Brighton, Colorado

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 2015.
2. The Pine Brook Water District did not amend the budget in 2015.
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 2015 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 7.

Overview of the Financial Statements of the District:

The audited financial statements of the District are:

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

These statements are on pages 7 through 17. These and the Other Supplementary Information, Budgetary Comparison Schedule of Revenues and Expenditures on page 18 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 position** 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 position). Over time, the comparison of changes in net position 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 position** 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 position.

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 position		
	2015	2014	2013
Current Assets			
Cash and cash equivalents	\$ 312,050	\$ 295,584	\$ 261,942
Other current assets	980,641	410,756	406,835
	<u>1,292,691</u>	<u>706,340</u>	<u>668,777</u>
Non Current Assets			
Capital assets – net	8,677,600	7,183,722	7,364,371
Total Assets	<u>8,677,600</u>	<u>7,890,062</u>	<u>8,033,148</u>
Current Liabilities	845,106	307,691	325,327
Long – Term Debt	3,910,045	4,156,013	4,394,377
Total Liabilities	<u>4,755,151</u>	<u>4,463,704</u>	<u>4,719,704</u>
Deferred Inflows of Resources			
Deferred property taxes	332,070	332,094	331,029
Total Deferred Inflows of Resources	<u>332,070</u>	<u>332,094</u>	<u>331,029</u>
Net Position			
Net investment in capital assets	4,521,587	2,789,345	2,697,594
Unrestricted	361,483	304,919	284,821
Total Net Position	<u>\$ 4,883,070</u>	<u>\$ 3,094,264</u>	<u>\$ 2,982,415</u>

Statement of Revenues, Expenses, and Changes in Net Position

	2015	2014	2013
Operating Revenues	\$ 488,701	\$ 495,928	\$ 451,640
Operating Expenses	658,479	907,865	716,106
Operating Income (Loss)	<u>(169,778)</u>	<u>(411,937)</u>	<u>(264,466)</u>
Non Operating Revenues (Expenses)	1,958,584	523,786	139,464
Change in Net Assets	1,788,806	111,849	(125,002)
Net Assets, Beginning of Year	3,094,264	2,982,415	3,107,417
Net Assets, End of Year	<u>\$ 4,883,070</u>	<u>\$ 3,094,264</u>	<u>\$ 2,982,415</u>

Statement of Cash Flows

	2015	2014	2013
Cash from (for) Operating Activities	\$ 88,486	\$ (235,186)	\$ (73,985)
Cash from Non Capital Financing Activities	1,450,286	635,965	478,540
Cash from (for) Capital and Related Financing Activities	(1,522,415)	(367,244)	(526,783)
Cash from (for) Investing Activities	109	107	150
Increase (Decrease)	16,466	33,642	(122,078)
Cash and Cash Equivalents, Beginning of Year	295,584	261,942	384,020
Cash and Cash Equivalents, End of Year	<u>\$ 312,050</u>	<u>\$ 295,584</u>	<u>\$ 261,942</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 7.

Analysis of Financial Position and Operating Results:

Net position increased in 2015 by \$1,788,806. This is the result of the operating loss of \$169,778, plus net non-operating revenues of \$1,958,584. Unrestricted cash, cash equivalents, and investments of the District at December 31, 2015, totaled \$312,050, which represents approximately 24% of the District's current assets and approximately 3% of the District's total assets. The increase in net position is primarily related to the grants received from FEMA and CDPHE to restore the facilities lost in the flood. The majority of the grant expenditures were capitalized to be depreciated over their useful life.

Capital Assets, net of accumulated depreciation, of the District at December 31, 2015, totaled \$8,677,600, which represents approximately 87% of the District's total assets. Operating income for 2015, before depreciation and amortization expense, was \$8,737 compared to an operating loss before depreciation and amortization expense for 2014 of \$231,288. This was principally due to increased system operating repairs for the prior year due to the flooding.

Net non-operating revenues for 2015 were \$1,776,957 more than in 2014, due increase grants in 2015. For more information about these changes in net position 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 budgetary basis revenues in 2015 were \$1,259,776 less than the final budgeted revenues for the District. This is principally due to reserves not being required and lower than expected grant revenue.

The Districts actual budgetary basis expenditures in 2015 were \$1,035,296 less than the final budgeted expenditures. This is principally due to the reserves not being required and lower than expected capital outlay.

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 20 in the accompanying audited financial statements.

Capital Asset and Long Term Debt Activity:

The 2015 budget authorized \$2,700,000 in capital spending. Actual capital spending in 2015 was \$1,672,393. For more information about the District's capital assets see page 15-16 of the Notes to Financial Statements in the accompanying audited financial statements.

Long-Term Debt:

The only activity relating to long term debt in 2015 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
Statements of Net Position
December 31, 2015 and 2014**

	2015	2014
Assets		
Current Assets		
Cash and investments	\$ 312,050	\$ 295,584
Accounts receivable	35,677	39,621
Grants receivable	600,411	28,446
Property taxes receivable	332,070	332,094
Prepaid expenses	12,483	10,595
Total Current Assets	1,292,691	706,340
Noncurrent Assets		
Capital assets		
Nondepreciable	2,281,878	616,571
Depreciable	9,337,576	9,330,490
Less: Accumulated depreciation	(2,941,854)	(2,763,339)
Net Capital Assets	8,677,600	7,183,722
Total Noncurrent Assets	8,677,600	7,183,722
Total Assets	9,970,291	7,890,062
Liabilities		
Current Liabilities		
Accounts payable	502,448	21,511
Retainage payable	58,855	-
Wages payable	13,160	8,710
Compensated absences	6,916	8,729
Other accrued liabilities	1,007	7,465
Accrued interest payable	16,752	12,112
Deposits received	-	10,800
Long-term debt, current portion	245,968	238,364
Total Current Liabilities	845,106	307,691
Noncurrent Liabilities		
Long-term debt	3,910,045	4,156,013
Total Liabilities	4,755,151	4,463,704
Deferred Inflows of Resources		
Deferred property taxes	332,070	332,094
Total Deferred Inflows of Resources	332,070	332,094
Net Position		
Net investment in capital assets	4,521,587	2,789,345
Unrestricted	361,483	304,919
Total Net Position	\$ 4,883,070	\$ 3,094,264

Pine Brook Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2015 and 2014

	2015	2014
Operating Revenues		
Water sales	\$ 488,701	\$ 495,928
Total Operating Revenues	488,701	495,928
Operating Expenses		
Administrative and general	58,362	51,506
Water operating expenses	173,409	445,801
Employee and benefit costs	248,193	229,909
Depreciation and amortization	178,515	180,649
Total Operating Expenses	658,479	907,865
Operating Loss	(169,778)	(411,937)
Nonoperating Revenues (Expenses)		
Property taxes	332,713	330,239
Specific ownership taxes	18,450	17,766
Grants	1,672,298	278,438
Investment income	109	107
Connection charges	1,641	-
Insurance proceeds	-	2,700
Miscellaneous income	2,106	4,405
Gain on sale of assets	80,544	-
County treasurer fees	(4,957)	(4,957)
Interest expense and related fees	(144,320)	(104,912)
Total Nonoperating Revenues (Expenses)	1,958,584	523,786
Change in Net Position	1,788,806	111,849
Net Position, beginning of year	3,094,264	2,982,415
Net Position, end of year	\$ 4,883,070	\$ 3,094,264

Pine Brook Water District
Statements of Cash Flows
For the Year Ended December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Cash received from customers	\$ 492,645	\$ 485,698
Cash paid to suppliers	(225,684)	(555,125)
Cash paid to employees	(178,475)	(165,759)
Net cash provided (used) by operating activities	88,486	(235,186)
 Cash Flows From Non-Capital Financing Activities		
Property and specific ownership taxes, net of fees	346,206	343,048
Grant revenue	1,100,333	285,812
Connection charges	1,641	-
Insurance proceeds	-	2,700
Miscellaneous income	2,106	4,405
Net cash provided (used) by non-capital financing activities	1,450,286	635,965
 Cash Flows From Capital And Related Financing Activities		
Acquisitions and construction of capital assets	(1,214,115)	-
Proceeds from sale of capital assets	69,744	10,800
Principal paid on long term debt	(238,364)	(272,400)
Interest paid on long term debt	(139,680)	(105,644)
Net cash provided (used) in capital and related financing activities	(1,522,415)	(367,244)
 Cash Flows From Investing Activities		
Investment income received	109	107
Net cash provided (used) by investing activities	109	107
 Net increase (decrease) in cash and cash equivalents	16,466	33,642
 Cash and cash equivalents, beginning of year	295,584	261,942
Cash and cash equivalents, end of year	\$ 312,050	\$ 295,584
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Loss	\$ (169,778)	\$ (411,937)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation and amortization	178,515	180,649
Changes in assets and liabilities		
Accounts receivable	3,944	(10,230)
Prepaid expenses	(1,888)	-
Accounts payable	480,937	4,293
Capital assets included in accounts payable	(458,278)	-
Retainage payable	58,855	-
Other accrued liabilities	(3,821)	2,039
Net Cash Provided (Used) by Operating Activities	\$ 88,486	\$ (235,186)

**Pine Brook Water District
Notes to Financial Statements
December 31, 2015 and 2014**

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 District follows all pronouncement issued by GASB. 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 and financial benefits or burdens.

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.

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

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* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements 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 position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets, 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.

**Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014**

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition

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

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

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

Deferred Inflows of Resources

Deferred inflows of resources include property taxes, which have been certified but not yet collected.

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 position. None were received during 2015 and 2014.

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note 1 Summary of Significant Accounting Policies (Continued)

Net position

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

- a. Net investment in capital assets – 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 position – consists of net position 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 position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.” These net position are available for future operations or distributions.

Deferred Outflows / Inflows of Resources

The District implemented the provisions of GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB 63) and the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities (GASB 65). As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows). In accordance with GASB 65 the District changed the reporting of debt issuance costs. The District now reports such costs as an outflow of resources in the period they are incurred and not as an amortizable asset.

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.

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2015 and 2014, the District's cash deposits had a carrying balance of \$78,679 and \$28,291 and a corresponding bank balance of \$97,320 and \$36,517, respectively. The balance on deposit was insured by the Federal Deposit Insurance Corporation.

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 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, 2015 and 2014, 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, 2015 and 2014

Note 2 Cash and Investments (Continued)

A summary of cash and investments at December 31, 2015, is as follows:

	<u>2015</u>	<u>2014</u>
Cash with County Treasurer	\$ 1,456	\$ 1,456
Cash deposits	78,679	28,291
Money markets	<u>231,915</u>	<u>265,837</u>
Total cash and cash equivalents	<u>\$ 312,050</u>	<u>\$ 295,584</u>

The money market accounts were not rated as of December 31, 2015 and 2014.

Note 3 Accounts Receivable

Accounts receivable balance at December 31, 2015 and 2014, was comprised of the following:

	<u>2015</u>	<u>2014</u>
Water customers	\$ 32,992	\$ 31,898
Other receivables	2,685	7,723
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 35,677</u>	<u>\$ 39,621</u>

Note 4 Capital Assets

A summary of changes to capital assets for 2015 and 2014 is as follows:

	<u>Balance at 12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2015</u>
Nondepreciable				
Water rights	\$ 616,571	\$ -	\$ -	\$ 616,571
Construction in progress	-	1,665,307	-	1,665,307
Total Nondepreciable	<u>616,571</u>	<u>1,665,307</u>	<u>-</u>	<u>2,281,878</u>
Depreciable				
Reservoir	5,284,824	-	-	5,284,824
Wells and water systems	3,707,272	-	-	3,707,272
Firehouse	137,437	-	-	137,437
Equipment	82,254	7,086	-	89,340
Transportation	87,655	-	-	87,655
Office equipment	31,048	-	-	31,048
Total Depreciable	<u>9,330,490</u>	<u>7,086</u>	<u>-</u>	<u>9,337,576</u>
TOTAL	<u>9,947,061</u>	<u>1,672,393</u>	<u>-</u>	<u>11,619,454</u>
Less Accumulated Depreciation	<u>(2,763,339)</u>	<u>(178,515)</u>	<u>-</u>	<u>(2,941,854)</u>
Net Capital Assets	<u>\$ 7,183,722</u>	<u>\$ 1,493,878</u>	<u>\$ -</u>	<u>\$ 8,677,600</u>

**Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014**

Note 4 Capital Assets (Continued)

	Balance at 12/31/2013	Additions	Deletions	Balance at 12/31/2014
Nondepreciable				
Water rights	\$ 616,571	\$ -	\$ -	\$ 616,571
Total Nondepreciable	<u>616,571</u>	<u>-</u>	<u>-</u>	<u>616,571</u>
Depreciable				
Reservoir	5,284,824	-	-	5,284,824
Wells and water systems	3,707,272	-	-	3,707,272
Firehouse	137,437	-	-	137,437
Equipment	82,254	-	-	82,254
Transportation	87,655	-	-	87,655
Office equipment	31,048	-	-	31,048
Total Depreciable	<u>9,330,490</u>	<u>-</u>	<u>-</u>	<u>9,330,490</u>
TOTAL	<u>9,947,061</u>	<u>-</u>	<u>-</u>	<u>9,947,061</u>
Less Accumulated Depreciation	<u>(2,582,690)</u>	<u>(180,649)</u>	<u>-</u>	<u>(2,763,339)</u>
Net Capital Assets	<u>\$ 7,364,371</u>	<u>\$ (180,649)</u>	<u>\$ -</u>	<u>\$ 7,183,722</u>

Note 5 Long-term Debt

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

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.

On December 5, 2014 the District issued a general obligation bond in the amount of \$4,140,000. The proceeds of the bonds were used for refunding of the 2004 series general obligation bonds. The interest rate on the bonds is 2.99% 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 bonds. 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.

Changes in Long-term Debt during 2015 and 2014 were as follows:

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Due Within One Year
2008 revenue note	\$ 499,272	\$ -	\$ 28,784	\$ 470,488	\$ 30,122
2013 Series Bond	3,895,105	-	209,580	3,685,525	215,846
Total Long-term Debt	<u>\$ 4,394,377</u>	<u>\$ -</u>	<u>\$ 238,364</u>	<u>\$ 4,156,013</u>	<u>\$ 245,968</u>

**Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014**

Note 5 Long-term Debt (Continued)

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Due Within One Year
2008 revenue note	\$ 526,777	\$ -	\$ 27,505	\$ 499,272	\$ 28,784
2013 Series Bond	4,140,000	-	244,895	3,895,105	209,580
Total Long-term Debt	<u>\$ 4,666,777</u>	<u>\$ -</u>	<u>\$ 272,400</u>	<u>\$ 4,394,377</u>	<u>\$ 238,364</u>

Future debt service requirements are as follows:

Year ending December 31,	Principal	Interest	Total
2016	245,968	132,076	378,044
2017	253,823	124,221	378,044
2018	261,936	116,108	378,044
2019	270,316	107,728	378,044
2020	278,971	99,073	378,044
2021-2025	1,535,026	355,194	1,890,220
2026-2029	<u>1,309,973</u>	<u>98,832</u>	<u>1,408,805</u>
Total	<u>\$ 4,156,013</u>	<u>\$ 1,033,232</u>	<u>\$ 5,189,245</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. 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 entered into an agreement to sell 6 acre feet of annual reusable return flows of water rights for \$80,000. On June 13, 2014 the District received a deposit in the amount of \$10,800 which was included as a liability on the Statement of Net position as of December 31, 2014. The District finalized the sale during the year ended December 31, 2015.

Note 8 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, 2015

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Water sales	\$ 573,600	\$ 488,701	\$ (84,899)
Property taxes	332,094	332,713	619
Specific ownership taxes	20,000	18,450	(1,550)
Investment income	100	109	9
Grants	2,700,000	1,672,298	(1,027,702)
Miscellaneous income	-	2,106	2,106
Connection fees	40,000	1,641	(38,359)
Insurance proceeds	-	-	-
Reserves available for use	110,000	-	(110,000)
Total Revenues	<u>3,775,794</u>	<u>2,516,018</u>	<u>(1,259,776)</u>
Expenses			
Employee and benefit expenses	247,000	248,193	(1,193)
Water operating expenses	207,600	173,409	34,191
General and administrative	36,600	58,362	(21,762)
County treasurer fees	6,050	4,957	1,093
Debt Service and related expenditures			
Principal payments	238,364	238,364	-
Interest and related fees	139,680	144,320	(4,640)
Capital expenditures	2,700,000	1,672,393	1,027,607
Reserves	-	-	-
Total Expenses	<u>3,575,294</u>	<u>2,539,998</u>	<u>\$ 1,035,296</u>
Revenues (under) Expenditures	<u>\$ 200,500</u>	<u>(23,980)</u>	
Reconciliation of GAAP basis			
Depreciation and amortization		(178,515)	
Principal payments		238,364	
Capital outlay		1,672,393	
Gain on sale of assets		80,544	
Net Income GAAP Basis		<u>\$ 1,788,806</u>	

SINGLE AUDIT SECTION

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors

Pine Brook Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Pine Brook Water District's basic financial statements, and have issued our report thereon dated April 4, 2016

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pine Brook Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pine Brook Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pine Brook Water District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pine Brook Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Pine Brook Water District's Response to Findings

Pine Brook Water District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pine Brook Water District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Gumm + Associates LLC". The signature is written in a cursive, flowing style.

Brighton, CO
April 4, 2016

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors
Pine Brook Water District

Report on Compliance for Each Major Federal Program

We have audited Pine Brook Water District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pine Brook Water District's major federal programs for the year ended December 31, 2015. Pine Brook Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pine Brook Water District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pine Brook Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pine Brook Water District's compliance.

Opinion on Each Major Federal Program

In our opinion, Pine Brook Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of Pine Brook Water District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pine Brook Water District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pine Brook Water District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "G. & Associates LLP". The signature is written in black ink and is positioned above the printed name of the firm.

Brighton, CO
April 4, 2016

**Pine Brook Water District
Schedule of Expenditures of Federal Awards
December 31, 2015**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>EXPENDITURES</u>
U.S. Department of Homeland Security		
Disaster grants - Public Assistance	97.036	\$ 774,385
U.S Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	1,213
Total Federal Financial Awards		<u>\$ 775,598</u>

Notes to the Schedule of Expenditures of Federal Awards

The schedule of expenditures of federal awards is presented in accordance with requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Therefore some amounts presented in this schedule may differ from amounts presented in the financial statement.

**Pine Brook Water District
Schedule of Findings and Questioned Costs
December 31, 2015**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material Weakness identified? Yes no
- Significant deficiency identified that are not considered to be material weakness? Yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material Weakness identified? yes no
- Significant deficiency identified that are not considered to be material weakness? yes no

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

Disaster Grants Public Assistance 97.036

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Audited qualified as low-risk audited? Yes No

**Pine Brook Water District
Schedule of Findings and Questioned Costs
December 31, 2015**

Current Year Findings:

Financial Statement Findings

2015-001: Audit Adjustments

Federal Program: None

Criteria: The internal control structure should be designed to identify adjusting journal entries which are significant to the District's financial statement prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition: As part of our audit, a number of adjustments were proposed and recorded, significant in the aggregate, to properly state the financial statements in accordance with GAAP.

Cause: The internal control structure is not properly designed and implemented to identify all significant adjustments to the District's financial statements.

Effect: The financial statements were not prepared in accordance with GAAP

Questioned Costs: None

Prevalence and Consequences: The results were not specific to one program and were related to required entries to multiple accounts.

Repeat Finding: No

Management Response: A properly designed internal control structure will be established to ensure that complete and accurate information is available to properly record transactions in accordance with GAAP.