

**PINE BROOK WATER DISTRICT
Boulder, CO**

**FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 and 2016**

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April 20, 2018

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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, 2017 and 2016, 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. 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, 2017 and 2016, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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 the Pine Brook Water District's basic financial statements. Budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *budgetary comparison schedule* 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* is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Gurne + Associates LLC". The signature is written in black ink and is positioned above the date and location information.

April 19, 2018
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 2017.
2. The Pine Brook Water District did not amend the budget in 2017.
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 2017 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		
	2017	2016	2015
Current Assets			
Cash and cash equivalents	\$ 402,557	\$ 425,286	\$ 312,050
Other current assets	436,066	565,479	980,641
	<u>838,623</u>	<u>990,765</u>	<u>1,292,691</u>
Non Current Assets			
Capital assets – net	9,474,532	9,682,366	8,677,600
Total Assets	<u>10,313,155</u>	<u>10,673,131</u>	<u>9,970,291</u>
Current Liabilities	323,173	410,387	845,106
Long – Term Debt	3,394,284	3,656,221	3,910,045
Total Liabilities	<u>3,717,457</u>	<u>4,066,608</u>	<u>4,755,151</u>
Deferred Inflows of Resources			
Deferred property taxes	332,094	332,094	332,070
Total Deferred Inflows of Resources	<u>332,094</u>	<u>332,094</u>	<u>332,070</u>
Net Position			
Net investment in capital assets	5,818,312	5,772,322	4,521,587
Unrestricted	445,292	502,107	361,483
Total Net Position	<u>\$ 6,263,604</u>	<u>\$ 6,274,429</u>	<u>\$ 4,883,070</u>

Statement of Revenues, Expenses, and Changes in Net Position

	2017	2016	2015
Operating Revenues	\$ 629,781	\$ 532,406	\$ 488,701
Operating Expenses	880,598	659,091	658,479
Operating Income (Loss)	<u>(250,817)</u>	<u>(126,685)</u>	<u>(169,778)</u>
Non Operating Revenues (Expenses)	239,992	1,518,044	1,958,584
Change in Net Assets	<u>(10,825)</u>	<u>1,391,359</u>	<u>1,788,806</u>
Net Assets, Beginning of Year	6,274,429	4,883,070	3,094,264
Net Assets, End of Year	<u>\$ 6,263,604</u>	<u>\$ 6,274,429</u>	<u>\$ 4,883,070</u>

Statement of Cash Flows

	2017	2016	2015
Cash from (for) Operating Activities	\$ (114,837)	\$ 57,174	\$ 88,486
Cash from Non Capital Financing Activities	499,519	2,068,168	1,450,286
Cash from (for) Capital and Related Financing Activities	(407,814)	(2,012,289)	(1,522,415)
Cash from (for) Investing Activities	403	183	109
Increase (Decrease)	<u>(22,729)</u>	<u>113,236</u>	<u>16,466</u>
Cash and Cash Equivalents, Beginning of Year	425,286	312,050	295,584
Cash and Cash Equivalents, End of Year	<u>\$ 402,557</u>	<u>\$ 425,286</u>	<u>\$ 312,050</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 decreased in 2017 by \$10,825. This is the result of the operating loss of \$250,817, plus net non-operating revenues of \$239,992. Unrestricted cash, cash equivalents, and investments of the District at December 31, 2017, totaled \$402,557, which represents approximately 48% 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.

Operating expenses for the District increased from the prior year by \$221,507. The primary drivers of these changes are depreciation, sludge disposal, employee costs, abandonment of wells, other flood related costs, and routine maintenance increases. Depreciation increased by \$66,436 over the prior year due to the costs that were capitalized in 2016 relating to the flood. The increase in the repair costs are primarily driven by the flood. During 2016 the District was completing major projects, the costs of which were capitalized to be depreciated over their useful lives. During 2017 the remaining costs of the flood restoration were incurred however these costs were charged to expense as they were not capital projects. This includes items such as sludge removal and abandonment of old wells. Employee costs also increased during 2017 due to the hiring of one additional employee in late 2016.

Analysis of Financial Position and Operating Results (Continued):

Capital Assets, net of accumulated depreciation, of the District at December 31, 2017, totaled \$9,474,532. Operating loss for 2017, before depreciation and amortization expense, was \$13,213 compared to operating income before depreciation and amortization expense for 2016 of \$44,482. This was principally due to increased system operating repairs. Net non-operating revenues for 2017 were \$1,278,052 less than in 2016, due decrease of grant revenue in 2017. 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 2017 were \$1,193,577 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 2017 were \$1,136,762 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 2017 budget authorized \$820,000 in capital spending. Actual capital spending in 2017 was \$29,770. 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 2017 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, 2017 and 2016**

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 402,557	\$ 425,286
Accounts receivable	38,754	34,198
Grants receivable	45,113	182,213
Property taxes receivable	332,094	332,094
Prepaid expenses	20,105	16,974
Total Current Assets	838,623	990,765
Noncurrent Assets		
Capital assets		
Nondepreciable	631,341	616,571
Depreciable	12,193,816	12,178,816
Less: Accumulated depreciation	(3,350,625)	(3,113,021)
Net Capital Assets	9,474,532	9,682,366
Total Noncurrent Assets	9,474,532	9,682,366
Total Assets	10,313,155	10,673,131
Liabilities		
Current Liabilities		
Accounts payable	11,352	113,870
Wages payable	18,030	18,030
Compensated absences	13,617	4,012
Other accrued liabilities	2,876	3,900
Accrued interest payable	15,362	16,752
Long-term debt, current portion	261,936	253,823
Total Current Liabilities	323,173	410,387
Noncurrent Liabilities		
Long-term debt	3,394,284	3,656,221
Total Liabilities	3,717,457	4,066,608
Deferred Inflows of Resources		
Deferred property taxes	332,094	332,094
Total Deferred Inflows of Resources	332,094	332,094
Net Position		
Net investment in capital assets	5,818,312	5,772,322
Unrestricted	445,292	502,107
Total Net Position	\$ 6,263,604	\$ 6,274,429

Pine Brook Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues		
Water sales and capital improvement fees	\$ 629,781	\$ 532,406
Total Operating Revenues	629,781	532,406
Operating Expenses		
Administrative and general	43,659	69,445
Water operating expenses	290,979	166,254
Employee and benefit costs	308,356	252,225
Depreciation and amortization	237,604	171,167
Total Operating Expenses	880,598	659,091
Operating Loss	(250,817)	(126,685)
Nonoperating Revenues (Expenses)		
Property taxes	332,487	329,900
Specific ownership taxes	17,901	16,915
Grants	3,848	1,144,764
Donations	-	117,500
Investment income	403	183
Connection charges	-	41,075
Miscellaneous income	13,166	4,841
County treasurer fees	(4,983)	(5,025)
Interest expense and related fees	(122,830)	(132,109)
Total Nonoperating Revenues (Expenses)	239,992	1,518,044
Change in Net Position	(10,825)	1,391,359
Net Position, beginning of year	6,274,429	4,883,070
Net Position, end of year	\$ 6,263,604	\$ 6,274,429

Pine Brook Water District
Statements of Cash Flows
For the Year Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Cash received from customers	\$ 625,225	\$ 533,885
Cash paid to suppliers	(521,247)	(298,828)
Cash paid to employees	(218,815)	(177,883)
Net cash provided (used) by operating activities	(114,837)	57,174
 Cash Flows From Non-Capital Financing Activities		
Property and specific ownership taxes, net of fees	345,405	341,790
Grant revenue	140,948	1,562,962
Connection charges	-	41,075
Donations	-	117,500
Miscellaneous income	13,166	4,841
Net cash provided (used) by non-capital financing activities	499,519	2,068,168
 Cash Flows From Capital And Related Financing Activities		
Acquisitions and construction of capital assets	(29,770)	(1,634,211)
Proceeds from sale of capital assets	-	-
Principal paid on long term debt	(253,824)	(245,969)
Interest paid on long term debt	(124,220)	(132,109)
Net cash provided (used) in capital and related financing activities	(407,814)	(2,012,289)
 Cash Flows From Investing Activities		
Investment income received	403	183
Net cash provided (used) by investing activities	403	183
 Net increase (decrease) in cash and cash equivalents	(22,729)	113,236
 Cash and cash equivalents, beginning of year	425,286	312,050
Cash and cash equivalents, end of year	\$ 402,557	\$ 425,286
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Loss	\$ (250,817)	\$ (126,685)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation and amortization	237,604	171,167
Changes in assets and liabilities		
Accounts receivable	(4,556)	1,479
Prepaid expenses	(3,131)	(4,491)
Accounts payable	(102,518)	(388,578)
Capital assets included in accounts payable	-	458,278
Retainage payable	-	(58,855)
Other accrued liabilities	8,581	4,859
Net Cash Provided (Used) by Operating Activities	\$ (114,837)	\$ 57,174

**Pine Brook Water District
Notes to Financial Statements
December 31, 2017 and 2016**

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.

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.

**Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016**

Note 1 Summary of Significant Accounting Policies (Continued)

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 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 property owners for water services, 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.

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.

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 1 Summary of Significant Accounting Policies (Continued)

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 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 2017 and 2016.

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.

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 1 Summary of Significant Accounting Policies (Continued)

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.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2017 and 2016, the District’s cash deposits had a carrying balance of \$267,217 and \$294,317 and a corresponding bank balance of \$254,344 and \$294,083, 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.

**Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016**

Note 2 Cash and Investments (Continued)

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, 2017 and 2016, 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.

A summary of cash and investments at December 31, 2017, is as follows:

	2017	2016
Cash with County Treasurer	\$ 1,456	\$ 1,456
Cash deposits	267,217	294,317
Money markets	133,884	129,513
Total cash and cash equivalents	\$ 402,557	\$ 425,286

The money market accounts were not rated as of December 31, 2017 and 2016.

Note 3 Accounts Receivable

Accounts receivable at December 31, 2017 and 2016, was comprised of the following:

	2017	2016
Water customers	\$ 38,754	\$ 32,113
Other receivables	-	2,085
Less: Allowance for doubtful accounts	-	-
Net receivables	\$ 38,754	\$ 34,198

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 4 Capital Assets

A summary of changes to capital assets for 2017 and 2016 is as follows:

	Balance at 12/31/2016	Additions	Deletions	Balance at 12/31/2017
Nondepreciable				
Water rights	\$ 616,571	\$ -	\$ -	\$ 616,571
Construction in progress	-	14,770	-	14,770
Total Nondepreciable	<u>616,571</u>	<u>14,770</u>	<u>-</u>	<u>631,341</u>
Depreciable				
Reservoir	5,284,824	-	-	5,284,824
Wells and water systems	6,531,012	-	-	6,531,012
Firehouse	137,437	-	-	137,437
Equipment	106,840	-	-	106,840
Transportation	87,655	15,000	-	102,655
Office equipment	31,048	-	-	31,048
Total Depreciable	<u>12,178,816</u>	<u>15,000</u>	<u>-</u>	<u>12,193,816</u>
TOTAL	<u>12,795,387</u>	<u>29,770</u>	<u>-</u>	<u>12,825,157</u>
Less Accumulated Depreciation	<u>(3,113,021)</u>	<u>(237,604)</u>	<u>-</u>	<u>(3,350,625)</u>
Net Capital Assets	<u>\$ 9,682,366</u>	<u>\$ (207,834)</u>	<u>\$ -</u>	<u>\$ 9,474,532</u>

	Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
Nondepreciable				
Water rights	\$ 616,571	\$ -	\$ -	\$ 616,571
Construction in progress	1,665,307	-	(1,665,307)	-
Total Nondepreciable	<u>2,281,878</u>	<u>-</u>	<u>(1,665,307)</u>	<u>616,571</u>
Depreciable				
Reservoir	5,284,824	-	-	5,284,824
Wells and water systems	3,707,272	2,823,740	-	6,531,012
Firehouse	137,437	-	-	137,437
Equipment	89,340	17,500	-	106,840
Transportation	87,655	-	-	87,655
Office equipment	31,048	-	-	31,048
Total Depreciable	<u>9,337,576</u>	<u>2,841,240</u>	<u>-</u>	<u>12,178,816</u>
TOTAL	<u>11,619,454</u>	<u>2,841,240</u>	<u>(1,665,307)</u>	<u>12,795,387</u>
Less Accumulated Depreciation	<u>(2,941,854)</u>	<u>(171,167)</u>	<u>-</u>	<u>(3,113,021)</u>
Net Capital Assets	<u>\$ 8,677,600</u>	<u>\$ 2,670,073</u>	<u>\$ (1,665,307)</u>	<u>\$ 9,682,366</u>

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

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, 2013 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 2017 and 2016 were as follows:

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Due Within One Year
2008 revenue note	\$ 440,366	\$ -	\$ 31,524	\$ 408,842	\$ 32,989
2013 Series Bond	3,469,678	-	222,300	3,247,378	228,947
Total Long-term Debt	<u>\$ 3,910,044</u>	<u>\$ -</u>	<u>\$ 253,824</u>	<u>\$ 3,656,220</u>	<u>\$ 261,936</u>

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due Within One Year
2008 revenue note	\$ 470,488	\$ -	\$ 30,122	\$ 440,366	\$ 31,523
2013 Series Bond	3,685,525	-	215,847	3,469,678	222,300
Total Long-term Debt	<u>\$ 4,156,013</u>	<u>\$ -</u>	<u>\$ 245,969</u>	<u>\$ 3,910,044</u>	<u>\$ 253,823</u>

Future debt service requirements are as follows:

Year ending December 31,	Principal	Interest	Total
2018	261,936	116,108	378,044
2019	270,316	107,728	378,044
2020	278,971	99,073	378,044
2021	287,912	90,132	378,044
2022	297,148	80,896	378,044
2023-2027	1,635,344	254,876	1,890,220
2028-2029	<u>624,593</u>	<u>28,123</u>	<u>652,716</u>
Total	<u>\$ 3,656,220</u>	<u>\$ 776,936</u>	<u>\$ 4,433,156</u>

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

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 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, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Water sales	\$ 600,000	\$ 580,508	\$ (19,492)
Capital improvement fees	49,000	49,273	273
Property taxes	332,043	332,487	444
Specific ownership taxes	20,000	17,901	(2,099)
Investment income	120	403	283
Grants	750,000	3,848	(746,152)
Miscellaneous income	-	13,166	13,166
Connection fees	40,000	-	(40,000)
Reserves available for use	400,000	-	(400,000)
Total Revenues	<u>2,191,163</u>	<u>997,586</u>	<u>(1,193,577)</u>
Expenses			
Employee and benefit expenses	298,300	308,356	(10,056)
Water operating expenses	174,750	290,979	(116,229)
General and administrative	41,000	43,659	(2,659)
County treasurer fees	-	4,983	(4,983)
Debt Service and related expenditures			
Principal payments	253,824	253,824	-
Interest and related fees	130,270	122,830	7,440
Capital expenditures	820,000	29,770	790,230
Reserves	473,019	-	473,019
Total Expenses	<u>2,191,163</u>	<u>1,054,401</u>	<u>\$ 1,136,762</u>
Revenues (under) Expenditures	<u>\$ -</u>	<u>(56,815)</u>	
Reconciliation of GAAP basis			
Depreciation and amortization		(237,604)	
Principal payments		253,824	
Capital outlay		29,770	
Gain on sale of assets		-	
Net Income GAAP Basis		<u>\$ (10,825)</u>	