

**PINE BROOK WATER DISTRICT
Boulder, CO**

**FINANCIAL STATEMENTS
For the Year Ended December 31, 2019 and 2018**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Non-GAAP Basis	18

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 of Pine Brook Water District as of and for the year ended December 31, 2019 and 2018, 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 of the Pine Brook Water District as of December 31, 2019 and 2018, 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 schedule on page 18 is presented for purposes of additional analysis and is 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 "Gumm + Associates LLC". The signature is written in black ink and is positioned above the date and location information.

March 18, 2020
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 adjusted their monthly service fee and adjusted water rates in December 2018.
2. The Pine Brook Water District did not amend the budget in 2019.
3. The Pine Brook Water District considers its 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 2019 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		
	2019	2018	2017
Current Assets			
Cash and cash equivalents	\$ 371,727	\$ 331,919	\$ 402,557
Other current assets	451,474	441,936	436,066
	<u>823,201</u>	<u>773,855</u>	<u>838,623</u>
Non Current Assets			
Capital assets – net	9,656,876	9,559,488	9,474,532
Total Assets	<u>10,480,077</u>	<u>10,333,343</u>	<u>10,313,155</u>
Current Liabilities	345,374	311,267	323,173
Long – Term Debt	2,844,998	3,123,968	3,394,284
Total Liabilities	<u>3,190,372</u>	<u>3,435,235</u>	<u>3,717,457</u>
Deferred Inflows of Resources			
Deferred property taxes	330,344	331,144	332,094
Total Deferred Inflows of Resources	<u>330,344</u>	<u>331,144</u>	<u>332,094</u>
Net Position			
Net investment in capital assets	6,532,907	6,165,204	5,818,312
Unrestricted	426,454	401,760	445,292
Total Net Position	<u>\$ 6,959,361</u>	<u>\$ 6,566,964</u>	<u>\$ 6,263,604</u>

Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018	2017
Operating Revenues	\$ 759,016	\$ 697,257	\$ 629,781
Operating Expenses	877,322	832,898	880,598
Operating Income (Loss)	<u>(118,306)</u>	<u>(135,641)</u>	<u>(250,817)</u>
Non Operating Revenues (Expenses)	510,703	439,001	239,992
Change in Net Assets	392,397	303,360	(10,825)
Net Assets, Beginning of Year	6,566,964	6,263,604	6,274,429
Net Assets, End of Year	<u>\$ 6,959,361</u>	<u>\$ 6,566,964</u>	<u>\$ 6,263,604</u>

Statement of Cash Flows

	2019	2018	2017
Cash from (for) Operating Activities	\$ 143,432	\$ 73,988	\$ (114,837)
Cash from Non Capital Financing Activities	557,319	556,989	499,519
Cash from (for) Capital and Related Financing Activities	(661,451)	(702,162)	(407,814)
Cash from (for) Investing Activities	508	547	403
Increase (Decrease)	<u>39,808</u>	<u>(70,638)</u>	<u>(22,729)</u>
Cash and Cash Equivalents, Beginning of Year	331,919	402,557	425,286
Cash and Cash Equivalents, End of Year	<u>\$ 371,727</u>	<u>\$ 331,919</u>	<u>\$ 402,557</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 2019 by \$392,397. This is the result of the operating loss of \$118,306, plus net non-operating revenues of \$510,703. Unrestricted cash, cash equivalents, and investments of the District at December 31, 2019, totaled \$371,727, which represents approximately 45% of the District's current assets. The increase in net position is primarily related to the grants received 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 \$44,424. The primary drivers of these changes are depreciation, sludge disposal, employee costs, and routine maintenance increases. The increase in the repair costs are a result of routine maintenance. Employee costs also increased during 2019.

Capital Assets, net of accumulated depreciation, of the District at December 31, 2019, totaled \$9,656,876 which is an increase over the prior year. Operating income for 2019, before depreciation and amortization expense, was \$127,146 compared to operating loss before depreciation and amortization expense for 2018 of \$99,979. Net non-operating revenues for 2019 were \$71,702 more than in 2018, due increase of grant revenue in 2019. 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 2019 were \$4,181 more than the final budgeted revenues for the District. This is principally due to higher than expected water sales.

The Districts actual budgetary basis expenditures in 2019 were \$115,353 less than the final budgeted expenditures. This is principally due to the reserves not being required.

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 2019 budget authorized \$259,200 in capital spending. Actual capital spending in 2019 was \$342,840. 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. The District disposed of two fully depreciated vehicles during the year.

Long-Term Debt:

The only activity relating to long term debt in 2019 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, 2019 and 2018**

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 371,727	\$ 331,919
Accounts receivable	55,892	45,574
Grants receivable	45,133	45,113
Property taxes receivable	330,344	331,144
Prepaid expenses	20,105	20,105
Total Current Assets	823,201	773,855
Noncurrent Assets		
Capital assets		
Nondepreciable	616,571	616,571
Depreciable	12,809,917	12,525,204
Less: Accumulated depreciation	(3,769,612)	(3,582,287)
Net Capital Assets	9,656,876	9,559,488
Total Noncurrent Assets	9,656,876	9,559,488
Total Assets	10,480,077	10,333,343
Liabilities		
Current Liabilities		
Accounts payable	11,276	10,684
Retainage payable	21,693	-
Compensated absences	2,889	2,889
Other accrued liabilities	17,450	13,131
Accrued interest payable	13,095	14,247
Long-term debt, current portion	278,971	270,316
Total Current Liabilities	345,374	311,267
Noncurrent Liabilities		
Long-term debt	2,844,998	3,123,968
Total Liabilities	3,190,372	3,435,235
Deferred Inflows of Resources		
Deferred property taxes	330,344	331,144
Total Deferred Inflows of Resources	330,344	331,144
Net Position		
Net investment in capital assets	6,532,907	6,165,204
Unrestricted	426,454	401,760
Total Net Position	\$ 6,959,361	\$ 6,566,964

Pine Brook Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
Water sales and capital improvement fees	\$ 759,016	\$ 697,257
Total Operating Revenues	759,016	697,257
Operating Expenses		
Administrative and general	67,251	69,069
Water operating expenses	241,672	221,718
Employee and benefit costs	322,947	306,491
Depreciation and amortization	245,452	235,620
Total Operating Expenses	877,322	832,898
Operating Loss	(118,306)	(135,641)
Nonoperating Revenues (Expenses)		
Property taxes	330,012	329,392
Specific ownership taxes	17,818	17,920
Grants	197,179	114,772
Donations	6,500	100
Investment income	508	547
Connection charges	-	80,000
Miscellaneous income	9,997	19,748
Gain (loss) on sale of assets	59,432	(3,542)
County treasurer fees	(4,167)	(4,943)
Interest expense and related fees	(106,576)	(114,993)
Total Nonoperating Revenues (Expenses)	510,703	439,001
Change in Net Position	392,397	303,360
Net Position, beginning of year	6,566,964	6,263,604
Net Position, end of year	\$ 6,959,361	\$ 6,566,964

Pine Brook Water District
Statements of Cash Flows
For the Year Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Cash received from customers	\$ 748,698	\$ 690,437
Cash paid to suppliers	(383,997)	(367,109)
Cash paid to employees	(221,269)	(249,340)
Net cash provided (used) by operating activities	143,432	73,988
Cash Flows From Non-Capital Financing Activities		
Property and specific ownership taxes, net of fees	343,663	342,369
Grant revenue	197,159	114,772
Connection charges	-	80,000
Donations	6,500	100
Miscellaneous income	9,997	19,748
Net cash provided (used) by non-capital financing activities	557,319	556,989
Cash Flows From Capital And Related Financing Activities		
Acquisitions and construction of capital assets	(342,840)	(334,118)
Proceeds from sale of capital assets	59,432	10,000
Principal paid on long term debt	(270,315)	(261,936)
Interest paid on long term debt	(107,728)	(116,108)
Net cash provided (used) in capital and related financing activities	(661,451)	(702,162)
Cash Flows From Investing Activities		
Investment income received	508	547
Net cash provided (used) by investing activities	508	547
Net increase (decrease) in cash and cash equivalents	39,808	(70,638)
Cash and cash equivalents, beginning of year	331,919	402,557
Cash and cash equivalents, end of year	\$ 371,727	\$ 331,919
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Loss	\$ (118,306)	\$ (135,641)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation and amortization	245,452	235,620
Changes in assets and liabilities		
Accounts receivable	(10,318)	(6,820)
Retainage payable	21,693	
Accounts payable	592	(668)
Other accrued liabilities	4,319	(18,503)
Net Cash Provided (Used) by Operating Activities	\$ 143,432	\$ 73,988

**Pine Brook Water District
Notes to Financial Statements
December 31, 2019 and 2018**

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, 2019 and 2018**

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 for 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, 2019 and 2018

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 2019 and 2018.

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.

**Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018**

Note 1 Summary of Significant Accounting Policies (Continued)

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, 2019, and 2018, the District's cash deposits had a carrying balance of \$370,089 and \$262,765 and a corresponding bank balance of \$383,970 and \$269,578, 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, 2019 and 2018**

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, 2019, and 2018, 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, 2019, is as follows:

	2019	2018
Cash with County Treasurer	\$ 1,638	\$ 1,456
Cash deposits	284,679	262,765
Money markets	85,410	67,698
Total cash and cash equivalents	\$ 371,727	\$ 331,919

The money market accounts were not rated as of December 31, 2019 and 2018.

Note 3 Accounts Receivable

Accounts receivable at December 31, 2019 and 2018, was comprised of the following:

	2019	2018
Water customers	\$ 55,892	\$ 44,158
Other receivables	-	1,416
Less: Allowance for doubtful accounts	-	-
Net receivables	\$ 55,892	\$ 45,574

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 4 Capital Assets

A summary of changes to capital assets for 2019 and 2018 is as follows:

	Balance at 12/31/2018	Additions	Deletions	Balance at 12/31/2019
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	6,791,105	253,314	-	7,044,419
Firehouse	137,437	-	-	137,437
Equipment	106,840	14,234	-	121,074
Transportation	173,950	75,292	(58,127)	191,115
Office equipment	31,048	-	-	31,048
Total Depreciable	<u>12,525,204</u>	<u>342,840</u>	<u>(58,127)</u>	<u>12,809,917</u>
TOTAL	<u>13,141,775</u>	<u>342,840</u>	<u>(58,127)</u>	<u>13,426,488</u>
Less Accumulated Depreciation	<u>(3,582,287)</u>	<u>(245,452)</u>	<u>58,127</u>	<u>(3,769,612)</u>
Net Capital Assets	<u>\$ 9,559,488</u>	<u>\$ 97,388</u>	<u>\$ -</u>	<u>\$ 9,656,876</u>
	Balance at 12/31/2017	Additions	Deletions	Balance at 12/31/2018
Nondepreciable				
Water rights	\$ 616,571	\$ -	\$ -	\$ 616,571
Construction in progress	14,770	-	(14,770)	-
Total Nondepreciable	<u>631,341</u>	<u>-</u>	<u>(14,770)</u>	<u>616,571</u>
Depreciable				
Reservoir	5,284,824	-	-	5,284,824
Wells and water systems	6,531,012	260,093	-	6,791,105
Firehouse	137,437	-	-	137,437
Equipment	106,840	-	-	106,840
Transportation	102,655	88,795	(17,500)	173,950
Office equipment	31,048	-	-	31,048
Total Depreciable	<u>12,193,816</u>	<u>348,888</u>	<u>(17,500)</u>	<u>12,525,204</u>
TOTAL	<u>12,825,157</u>	<u>348,888</u>	<u>(32,270)</u>	<u>13,141,775</u>
Less Accumulated Depreciation	<u>(3,350,625)</u>	<u>(235,620)</u>	<u>3,958</u>	<u>(3,582,287)</u>
Net Capital Assets	<u>\$ 9,474,532</u>	<u>\$ 113,268</u>	<u>\$ (28,312)</u>	<u>\$ 9,559,488</u>

**Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018**

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 2019 and 2018 were as follows:

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Due Within One Year
2008 revenue note	\$ 375,853	\$ -	\$ 34,521	\$ 341,332	\$ 36,128
2013 Series Bond	3,018,431	-	235,794	2,782,637	242,843
Total Long-term Debt	<u>\$ 3,394,284</u>	<u>\$ -</u>	<u>\$ 270,315</u>	<u>\$ 3,123,969</u>	<u>\$ 278,971</u>

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Due Within One Year
2008 revenue note	\$ 408,842	\$ -	\$ 32,989	\$ 375,853	\$ 34,523
2013 Series Bond	3,247,378	-	228,947	3,018,431	235,793
Total Long-term Debt	<u>\$ 3,656,220</u>	<u>\$ -</u>	<u>\$ 261,936</u>	<u>\$ 3,394,284</u>	<u>\$ 270,316</u>

Future debt service requirements are as follows:

Year ending December 31,	Principal	Interest	Total
2020	278,971	99,073	378,044
2021	287,912	90,132	378,044
2022	297,148	80,896	378,044
2023	306,690	71,354	378,044
2024	316,547	61,497	378,044
2025-2029	<u>1,636,701</u>	<u>211,643</u>	<u>1,848,344</u>
Total	<u>\$ 3,123,969</u>	<u>\$ 614,595</u>	<u>\$ 3,738,564</u>

Pine Brook Water District
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Prior year budgeted funds available for use	\$ 331,919	\$ 331,919	\$ -
Revenues			
Water sales	722,000	\$ 759,016	\$ 37,016
Property taxes	331,144	330,012	(1,132)
Specific ownership taxes	17,000	17,818	818
Investment income	-	508	508
Grants	199,255	197,179	(2,076)
Miscellaneous income	7,450	16,497	9,047
Connection fees	40,000	-	(40,000)
Total Revenues	<u>1,316,849</u>	<u>1,321,030</u>	<u>4,181</u>
Total Funds Available	<u>1,648,768</u>	<u>1,652,949</u>	<u>4,181</u>
Expenses			
Employee and benefit expenses	329,000	322,947	6,053
Water operating expenses	197,500	241,672	(44,172)
General and administrative	56,700	67,251	(10,551)
County treasurer fees	-	4,167	(4,167)
Debt Service and related expenditures			
Principal payments	270,315	270,315	-
Interest and related fees	112,829	106,576	6,253
Capital expenditures	259,200	342,840	(83,640)
Reserves	245,577	-	245,577
Total Expenses	<u>1,471,121</u>	<u>1,355,768</u>	<u>\$ 115,353</u>
Revenues Over (Under) Expenditures - Budgetary Basis	<u>\$ 177,647</u>	297,181	
Less prior year funds available		(331,919)	
Change in Net Position - Budgetary Basis		(34,738)	
Changes due to accrual basis of accounting		15,114	
Proceeds from sales of assets		59,432	
Change in cash		39,808	
Ending Cash		<u>\$ 371,727</u>	
Reconciliation of income GAAP basis to Budgetary basis			
Net Income (Loss) Budgetary Basis		(34,738)	
Depreciation and amortization		(245,452)	
Principal payments		270,315	
Capital outlay		342,840	
Gain on sale of assets		59,432	
Net Income GAAP Basis		<u>\$ 392,397</u>	