

PINE BROOK WATER DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**For the Years Ended
December 31, 2009 and 2008**

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-5
<u>Financial Statements</u>	
Statement of Net Assets	6 - 7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9 - 10
Notes to Financial Statements	11 - 17
<u>Required Supplementary Information</u>	
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)	18
<u>Other Supplementary Information</u>	
Schedule of Water Operating, and Administrative General and Expenses	19
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected	20



INDEPENDENT AUDITORS' REPORT

Board of Directors
Pine Brook Water District

We have audited the accompanying basic financial statements of Pine Brook Water District (the "District") as of December 31, 2009 and 2008, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Brook Water District at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 2 through 5 and page 18 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The schedule of operating, and administrative and general expenses, and schedule of assessed valuation, mill levy and property taxes collected on pages 19 through 20 are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of operating, and administrative and general expenses is the responsibility of management and was derived from and relates 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 information is fairly stated in all material respects in relation to the financial statements as a whole. The schedule of assessed valuation, mill levy and property taxes collected has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Watkins & Schommer, Inc.

Watkins & Schommer, Inc.
Greeley, Colorado
June 28, 2010



America Counts on CPAs®

Pine Brook Water District Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Pine Brook Water District's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2009. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

BACKGROUND INFORMATION

The District is organized under the provisions of Section 32-1-305 (6) C.R.S. It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which includes the power to levy taxes against property within the District. The District was established to provide potable water to residences and businesses within the District's borders.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Assets, 2) Statement of Revenues, Expenses and Changes in Fund Net Assets, and 3) Statement of Cash Flows. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Assets presents information on all of the District's assets and liabilities with the difference between the two reported as net assets. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net assets can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Non-financial factors should also be considered to assess the overall position of the District.

The Statement of Revenues, Expenses and Changes in Net Assets report the changes that have occurred during the year to the District's net assets. All changes in net assets are reported as soon as the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The Statement of Cash Flows, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from noncapital and related financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

**Pine Brook Water District
Management's Discussion and Analysis**

FINANCIAL SUMMARY AND ANALYSIS

These financial statements distinguish functions of the District that are supported by service charges and investment income. The function of the District is to provide water services to residents of the District. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The following is a condensed summary of the District's net assets at December 31, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets		
Current assets	679,953	695,178
Capital assets, net	7,505,728	7,618,055
Other assets	132,044	143,192
	<u>8,317,725</u>	<u>8,456,425</u>
Liabilities		
Current liabilities	652,563	655,855
Long-term liabilities	5,112,173	5,295,106
	<u>5,764,736</u>	<u>5,950,961</u>
Net assets		
Invested in capital net of related debt	2,210,622	2,146,035
Unrestricted	342,367	359,429
	<u>2,552,989</u>	<u>2,505,464</u>

As noted earlier, net assets may serve as a useful indicator of the District's financial position. In the District's case, assets exceed liabilities by \$2,552,989. Approximately 3% of the District's assets consist of cash deposits and investments as of December 31, 2009. \$248,896 of the cash deposits consists of money market funds, \$15,693 consists of checking accounts cash and the remaining \$1,316 is cash with the county treasurer.

The District's net assets increased by \$47,525 during 2009, to \$2,552,989.

**Pine Brook Water District
Management's Discussion and Analysis**

The following is a condensed summary of the District's revenues and expenses for the years ended December 31, 2009 and 2008:

	2009	2008
Revenues		
Operating revenues		
Water sales	389,052	422,719
Non-operating revenue		
Property and specific ownership taxes	370,678	372,417
Investment income	888	4,160
Donations	-	48,850
Miscellaneous income	50	22,651
Capital contributions	400	-
Total non-operating revenue	372,016	448,078
Total revenue	761,068	870,797
Expenses		
Operating	474,244	483,443
Non-operating expenses		
Paying agent fees	500	500
Interest expenses	238,799	242,572
Total non-operating revenue	239,299	243,072
Total expenses	713,543	726,515
Increase in net assets	47,525	144,282
Net assets - beginning of year	2,505,464	2,361,182
Net assets - end of year	2,552,989	2,505,464

The District's operating revenue decreased in 2009 over 2008 as a result of increased precipitation during the summer of 2009 resulting in customers consuming less water than during the previous year.

The District's operating expenses for 2009 decreased by \$9,199 from 2008 expenses due primarily to decreases in the administrative and general expenses.

Pine Brook Water District Management's Discussion and Analysis

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2009, amount to \$7,505,728 (net of accumulated depreciation). This investment in capital assets includes groundwater rights, wells and water systems, transportation equipment, a firehouse and office equipment. There were additions to the cost of the reservoirs and equipment during 2009. Additional information on the District's capital assets can be found in note 3 to the financial statements on pages 14 and 15.

ECONOMIC FACTORS AND NEXT YEARS' BUDGET

For 2010, the District budgeted \$989,084 in revenues and \$835,523 in expenditures. Operating revenues are budgeted at \$405,000, property taxes at \$367,584 and system development charges at \$216,500. Administrative expenditures are budgeted for \$76,600 and operating expenditures are budgeted for \$328,400.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or request for additional financial information should be addressed to the District's manager Robert de Haas, 1903 Linden Drive, Boulder, CO, 80304-0426.

BASIC FINANCIAL STATEMENTS

**Pine Brook Water District
Statements of Net Assets
December 31, 2009 and 2008**

	2009	2008
<u>ASSETS</u>		
<u>Current assets</u>		
Cash and cash equivalents	265,905	278,939
Accounts receivable	30,958	31,897
Property taxes receivable	358,584	358,558
Inventory - supplies	15,501	14,512
Prepaid insurance	9,005	11,272
<u>Total current assets</u>	679,953	695,178
<u>Non-current assets</u>		
<u>Capital assets</u>		
Property, plant and equipment, net	7,505,728	7,618,055
<u>Total capital assets</u>	7,505,728	7,618,055
<u>Other assets</u>		
Debt issuance costs, net of accumulated amortization of \$74,222 and \$63,074, respectively	132,044	143,192
<u>Total other assets</u>	132,044	143,192
<u>Total non-current assets</u>	7,637,772	7,761,247
 <u>Total assets</u>	 8,317,725	 8,456,425

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

	<u>2009</u>	<u>2008</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Current portion of long-term debt	182,933	176,914
Accounts payable	8,024	14,969
Payroll taxes payable	1,678	2,075
Accrued expenses:		
Interest	84,624	89,268
Wages	11,947	12,087
Compensated absences	4,773	1,984
Deferred property taxes	358,584	358,558
<u>Total current liabilities</u>	<u>652,563</u>	<u>655,855</u>
<u>Non-current liabilities</u>		
General obligation bonds and revenue note payable, net of current portion	5,112,173	5,295,106
<u>Total non-current liabilities</u>	<u>5,112,173</u>	<u>5,295,106</u>
<u>Total liabilities</u>	<u>5,764,736</u>	<u>5,950,961</u>
<u>NET ASSETS</u>		
<u>Net assets</u>		
Invested in capital assets, net of related debt	2,210,622	2,146,035
Unrestricted	342,367	359,429
<u>Total net assets</u>	<u>2,552,989</u>	<u>2,505,464</u>

This Page Intentionally Left Blank

Pine Brook Water District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Operating revenues</u>		
Water sales	389,052	422,719
<u>Total operating revenue</u>	<u>389,052</u>	<u>422,719</u>
<u>Operating expenses</u>		
Administrative and general	73,213	83,685
Water operating expenses	248,008	250,124
Depreciation	153,023	149,634
<u>Total operating expenses</u>	<u>474,244</u>	<u>483,443</u>
<u>Operating loss</u>	<u>(85,192)</u>	<u>(60,724)</u>
<u>Non-operating revenues (expenses)</u>		
Property and specific ownership taxes	370,678	372,417
Interest income	888	4,160
Donations	-	48,850
Miscellaneous income	50	22,651
Interest expense	(238,799)	(242,572)
Paying agent fees	(500)	(500)
<u>Total non-operating revenue (expenses)</u>	<u>132,317</u>	<u>205,006</u>
<u>Income (loss) before contributions</u>	47,125	144,282
<u>Capital contributions</u>	400	-
<u>Change in net assets</u>	47,525	144,282
<u>Net assets - beginning of year</u>	<u>2,505,464</u>	<u>2,361,182</u>
<u>Net assets - end of year</u>	<u><u>2,552,989</u></u>	<u><u>2,505,464</u></u>

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

**Pine Brook Water District
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008**

	2009	2008
<u>Cash flows from operating activities</u>		
Cash received from customers	389,991	421,823
Cash paid to suppliers	(180,161)	(187,205)
Cash paid to employees	(144,475)	(140,070)
	65,355	94,548
<u>Cash flows from noncapital financing activities</u>		
Property and specific ownership taxes	370,678	372,417
Donations	-	48,850
Miscellaneous income	50	22,651
	370,728	443,918
<u>Net cash flows from noncapital and related financing activities</u>		
<u>Cash flows from capital and related financing activities</u>		
Capital contributions	400	-
Proceeds from revenue note payable	-	685,039
Acquisition and construction of capital assets	(40,696)	(290,158)
Principal paid on long-term debt	(176,914)	(605,889)
Interest paid	(232,295)	(229,401)
Paying agent fees	(500)	(500)
Fees paid on lease purchase	-	(17,018)
	(450,005)	(457,927)
<u>Net cash flows from capital and related financing activities</u>		
<u>Cash flows from investing activities</u>		
Interest income	888	4,160
	888	4,160
<u>Net cash flows from investing activities</u>		
<u>Net change in cash and cash equivalents</u>	(13,034)	84,699
<u>Cash and cash equivalents - beginning of year</u>	278,939	194,240
<u>Cash and cash equivalents - end of year</u>	265,905	278,939

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

	<u>2009</u>	<u>2008</u>
<u>Reconciliation of operating loss to net cash</u>		
<u>flows from operating activities:</u>		
Operating loss	(85,192)	(60,724)
Adjustments to reconcile operating loss		
to net cash flows from operating activities:		
Depreciation	153,023	149,634
Changes in assets and liabilities:		
Receivables	939	(2,395)
Inventory	(989)	(362)
Prepaid expenses and other assets	2,267	2,131
Accounts payable and accrued expenses	(4,693)	6,264
	<u>65,355</u>	<u>94,548</u>
<u>Net cash flows from operating activities</u>	<u>65,355</u>	<u>94,548</u>
<u>Noncash investing, capital and financing activities:</u>		
Capital assets acquired in prior year included in accounts payable	-	78,215

Pine Brook Water District
Notes to Financial Statements
December 31, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies

Form of Organization

Pine Brook Water District (the "District") is organized under the provisions of Section 32-1-305 (6) C.R.S. It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which includes the power to levy taxes against property within the District.

Reporting Entity

For financial reporting purposes, management has considered all potential component units. The District meets the criteria of an "other stand alone government."

Basic Financial Statements

The District is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Total net assets are segregated into amounts invested in capital assets, net of related debt, restricted for debt service and loan reserves, and unrestricted net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with the State Statutes. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP") except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues. A reconciliation of the differences between the Statement of Revenues, Expenses, and Changes in Net Assets and the Schedule of Revenues and Expenditures Budget and Actual – (Budgetary Basis) is shown on page 18.

1. On or about October 15, the District staff submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at regular Board meetings to obtain taxpayer comments.
3. Prior to December 15, the budget is legally adopted by the Board of Directors.
4. Unused appropriations lapse at the end of each year.

The total appropriated expenditures for the District for the year ended December 31, 2009 were \$797,558.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Pine Brook Water District
Notes to Financial Statements
December 31, 2009 and 2008**

Note 1 - Summary of Significant Accounting Policies (Continued)

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 owners of the District, and thus, bad debts are deemed unlikely.

Revenue Recognition

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

Inventories

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

Prepaid Expenses

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

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 charged 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 estimated 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

Debt Related Deferrals

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accrued Compensated Absences Payable

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

The District has recorded a liability of \$4,773 and \$1,984 at December 31, 2009 and 2008, respectively.

Miscellaneous Income

During 2008 the District received \$22,451 from Boulder White Rock Reservoir Company as a refund of prior year water right fees.

Pine Brook Water District
Notes to Financial Statements
December 31, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions in Aid of Construction

Contributions of cash, transmission lines and water rights to the District by developers, customers or by agreements with others are treated as capital contributions on the District's statement of revenues, expenses and changes in net assets. During the year ended December 31, 2009, the District received \$400 in contributions. None were received during 2008.

Net Assets

Net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the District, which are not restricted for any project or other purpose. A deficit will require future funding.

Note 2 - Cash and Investments

Cash Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover its deposits. The District's deposit policy is in accordance with CRS 11-10.5-101, the Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. 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 (\$250,000 as of December 31, 2009) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks 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.

Investments

Credit Risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest, which include:

- U.S. Treasury obligations
- U.S. instrumentality obligations
- Certificates of deposit
- Commercial paper rated in the highest tier by a nationally recognized rating agency
- Repurchase agreements
- Investment grade obligations of state, county and local governments and public authorities
- Money market mutual funds regulated by the Securities and Exchange Commission whose portfolios consist of only dollar denominated securities.
- Local government investment pools

**Pine Brook Water District
Notes to Financial Statements
December 31, 2009 and 2008**

Note 2 - Cash and Investments (Continued)

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.

Cash deposits and investments held by the District at December 31, 2009 and 2008 were as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Book Balance</u>	<u>Bank Balance</u>
<i>Cash deposits</i>				
Insured deposits	250,000	250,000	250,000	250,000
Collateralized deposits	14,589	14,847	24,168	24,470
Total cash in bank	264,589	<u>264,847</u>	274,168	<u>274,470</u>
Uncategorized:				
Cash with County Treasurer	1,316		4,771	
Total cash deposits	<u>265,905</u>		<u>278,939</u>	

Note 3 - Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Water rights	607,259	-		607,259
Total capital assets, not being depreciated	607,259	-	-	607,259
Capital assets, being depreciated:				
Reservoir	5,270,899	13,925	-	5,284,824
Wells and water systems	3,250,239	17,815	-	3,268,054
Firehouse	137,437	-	-	137,437
Meter-read equipment	82,254	-	-	82,254
Transportation	37,184	8,956	-	46,140
Office equipment	29,298	-	-	29,298
Total capital assets, being depreciated	8,807,311	40,696	-	8,848,007

**Pine Brook Water District
Notes to Financial Statements
December 31, 2009 and 2008**

Note 3 - Capital Assets (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Less accumulated depreciation for:				
Reservoir	(155,347)	(53,333)	-	(208,680)
Wells and water systems	(1,470,130)	(90,523)	-	(1,560,653)
Firehouse	(38,976)	(4,363)	-	(43,339)
Meter-read equipment	(82,254)	-	-	(82,254)
Transportation	(22,949)	(3,679)	-	(26,628)
Office equipment	(26,859)	(1,125)	-	(27,984)
Total accumulated depreciation	(1,796,515)	(153,023)	-	(1,949,538)
Total capital assets, being depreciated, net	7,010,796	(112,327)	-	6,898,469
Total capital assets, net	7,618,055	(112,327)	-	7,505,728

The following is a summary of capital asset activity for the year ended December 31, 2008:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land and right of way	607,259	-	-	607,259
Total capital assets, not being depreciated	607,259	-	-	607,259
Capital assets, being depreciated:				
Reservoir	5,243,825	27,074	-	5,270,899
Wells and water systems	3,065,370	184,869	-	3,250,239
Firehouse	137,437	-	-	137,437
Meter-read equipment	82,254	-	-	82,254
Transportation	37,184	-	-	37,184
Office equipment	29,298	-	-	29,298
Total capital assets, being depreciated	8,595,368	211,943	-	8,807,311
Less accumulated depreciation for:				
Reservoir	(102,242)	(53,105)	-	(155,347)
Wells and water systems	(1,382,802)	(87,328)	-	(1,470,130)
Firehouse	(34,613)	(4,363)	-	(38,976)
Meter-read equipment	(82,254)	-	-	(82,254)
Transportation	(19,783)	(3,166)	-	(22,949)
Office equipment	(25,187)	(1,672)	-	(26,859)
Total accumulated depreciation	(1,646,881)	(149,634)	-	(1,796,515)
Total capital assets, being depreciated, net	6,948,487	62,309	-	7,010,796
Total capital assets, net	7,555,746	62,309	-	7,618,055

**Pine Brook Water District
Notes to Financial Statements
December 31, 2009 and 2008**

Note 4 - Long-Term Debt

A summary of the District's long-term debt as of December 31, 2009 and 2008 follows:

	2009	2008
<p>\$5,400,000 general obligation bond dated May 4, 2004, for construction of a water reservoir and related facilities. The interest rate on the bond varies from 2.1% to 4.625% and the final bond payment is due August 1, 2029. The District is authorized to collect up to \$420,000 annually for the purpose of paying the costs of the District debt issued for the water reservoir purposes. The mill levy shall be increased in any year without limitation as to rate, but only in an amount sufficient to pay the principal and interest of such debt.</p>	4,670,000	4,825,000
<p>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.</p>	625,106	647,020
<u>Total long-term debt</u>	5,295,106	5,472,020

A summary of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2004 A bond	4,825,000	-	155,000	4,670,000	160,000
2008 revenue note	647,020	-	21,914	625,106	22,933
Totals	5,472,020	-	176,914	5,295,106	182,933

The annual requirements to amortize all debt outstanding as of December 31, 2009, are as follows:

Year Ending December 31,	Principal	Interest	Total
2010	182,933	227,090	410,023
2011	188,999	221,303	410,302
2012	195,115	214,990	410,105
2013	201,283	208,127	409,410
2014	207,505	200,780	408,285
2015-2019	1,167,941	876,424	2,044,365
2020-2024	1,448,239	595,761	2,044,000
2025-2029	1,703,091	235,602	1,938,693
<u>Total</u>	5,295,106	2,780,077	8,075,183

**Pine Brook Water District
Notes to Financial Statements
December 31, 2009 and 2008**

Note 5 - 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 disasters.

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 exceeds commercial insurance coverage in any of the past three fiscal years.

Note 6 - TABOR Compliance

In November 1992, Colorado voter passed an amendment (Amendment One) to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt.

Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. The amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the amendment, excludes economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District is an Enterprise Fund and has no TABOR revenues and therefore has not set aside any monies for emergencies as defined by TABOR. The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

Note 7 - Subsequent Events

Management of the District has evaluated subsequent events through June 28, 2010, the date that the financial statements were available to be issued. No transactions or events that would require adjustment to, or disclosure in the financial statements were identified.

REQUIRED SUPPLEMENTARY INFORMATION

Pine Brook Water District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2009
With Comparative Actual Amounts For Year Ended December 31, 2008
(Unaudited)

	2009				
	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)	2008 Actual
	Original	Final			
<u>Budgeted revenues</u>					
Water sales	400,000	400,000	389,052	(10,948)	422,719
Property taxes, net of fees	358,558	358,558	351,933	(6,625)	350,791
Specific ownership taxes, net of fees	9,000	9,000	18,745	9,745	21,626
Interest income	500	500	888	388	4,160
Miscellaneous income	-	-	50	50	71,501
Capital contributions	-	-	400	400	-
Loan proceeds	-	-	-	-	685,039
Transfer from prior years reserves	29,500	29,500	-	(29,500)	-
<u>Total budgeted revenues</u>	<u>797,558</u>	<u>797,558</u>	<u>761,068</u>	<u>(36,490)</u>	<u>1,555,836</u>
<u>Budgeted expenditures</u>					
Water operating expenses	269,700	269,700	248,008	21,692	250,124
Administration and general expenses	78,300	78,300	73,213	5,087	83,685
Debt service and related expenditures					
Bond principal	155,000	155,000	155,000	-	150,000
Bond interest expense	202,208	202,208	208,883	(6,675)	223,577
Paying agent fees	1,350	1,350	500	850	500
Revenue note principal paid	21,914	21,914	21,914	-	38,019
Revenue note interest expense	30,086	30,086	29,916	170	18,995
Lease payments	-	-	-	-	417,870
Capital expenditures system	-	-	40,696	(40,696)	211,943
Improvement and replacements					
Equipment-office and tools	14,000	14,000	-	14,000	-
Reserves	25,000	25,000	-	25,000	-
<u>Total budgeted expenses</u>	<u>797,558</u>	<u>797,558</u>	<u>778,130</u>	<u>19,428</u>	<u>1,394,713</u>
<u>Excess (deficiency) of budgeted revenues over budgeted expenditures</u>	<u>-</u>	<u>-</u>	<u>(17,062)</u>	<u>(17,062)</u>	<u>161,123</u>
<u>Reconciling items</u>					
Capital expenditures			40,696		211,943
Depreciation			(153,023)		(149,634)
Bond principal			155,000		150,000
Note principal			21,914		38,019
Lease principal			-		417,870
Loan proceeds			-		(685,039)
Change in net assets GAAP basis			<u>47,525</u>		<u>144,282</u>

See accompanying Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

Pine Brook Water District
Schedule of Water Operating, and Administrative and General Expenses
For the Years Ended December 31, 2009 and 2008
(Unaudited)

	2009		2008	
	Amount	Percent	Amount	Percent
<u>Water operating expenses</u>				
Operating supplies	2,989	0.93%	2,480	0.74%
Repairs and maintenance	33,908	10.56%	39,849	11.94%
Reservoir maintenance	4,868	1.52%	3,928	1.18%
Other water operating expenses	973	0.30%	1,846	0.55%
Professional fees	-	0.00%	744	0.22%
Salaries	147,124	45.80%	138,195	41.40%
Small equipment	10,752	3.35%	3,471	1.04%
Truck operations	13,140	4.09%	17,226	5.16%
Utilities	32,498	10.12%	40,975	12.27%
Water storage fee	1,756	0.55%	1,410	0.42%
<u>Total water operating expenses</u>	<u>248,008</u>	<u>77.21%</u>	<u>250,124</u>	<u>74.93%</u>
<u>Administrative and general expenses</u>				
Auditing and accounting	3,800	1.18%	3,800	1.14%
Bank charges	365	0.11%	301	0.09%
Employee benefits	27,553	8.58%	29,525	8.84%
Employee training	4,352	1.35%	2,721	0.82%
Insurance	16,563	5.16%	19,162	5.74%
Legal	1,455	0.45%	3,910	1.17%
Office supplies and expenses	7,651	2.38%	9,148	2.74%
Other	80	0.02%	4,122	1.23%
Payroll taxes	11,394	3.55%	10,996	3.29%
<u>Total administrative and general expenses</u>	<u>73,213</u>	<u>22.79%</u>	<u>83,685</u>	<u>25.07%</u>

See accompanying Independent Auditors' Report.

Pine Brook Water District
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected
For the Eighteen Years Ended December 31, 2009
(Unaudited)

Year Ended December 31	Prior Year Assessed Valuation for Current Year Tax Levy	Mill Levied (All Funds)	Total Property Taxes		Percent Collected To Levy
			Levied	Collected	
2009	27,032,620	13.240	357,912	354,933	99.2%
2008	27,277,270	13.090	357,059	355,682	99.6%
2007	25,281,930	14.109	356,703	356,703	100.0%
2006	25,334,650	14.00	354,685	353,236	99.6%
2005	24,160,870	13.37	322,910	322,694	99.9%
2004	24,111,540	5.80	139,726	139,439	99.8%
2003	23,013,540	5.82	133,939	133,323	99.5%
2002	22,957,920	6.11	140,273	138,163	98.5%
2001	18,573,210	7.80	144,871	145,135	100.2%
2000	18,573,270	7.49	139,114	139,062	100.0%
1999	16,514,970	7.70	127,149	127,326	100.1%
1998	16,427,650	8.38	137,664	139,583	101.4%
1997	16,459,510	8.86	146,794	146,776	100.0%
1996	16,442,720	8.86	145,682	145,551	99.9%
1995	13,429,730	11.000	147,727	147,727	100.0%
1994	13,164,770	7.42	97,730	97,635	99.9%
1993	11,892,650	7.42	88,279	88,197	99.9%
1992	11,554,090	7.42	85,697	85,627	99.9%

See accompanying Independent Auditors' Report.