

**PINEWOOD SPRINGS WATER DISTRICT**  
**Larimer County, Colorado**

**FINANCIAL REPORTS**  
**December 31, 2009**

**PINEWOOD SPRINGS WATER DISTRICT**  
**Larimer County, Colorado**

**Table of Contents**

	<u><b>Page</b></u>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	1-6
<b>INDEPENDENT AUDITORS' REPORT</b> .....	7-8
 <b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets – Proprietary Fund ..... EXHIBIT A .....	9
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund..... EXHIBIT B .....	10
Statement of Cash Flows – Proprietary Fund ..... EXHIBIT C .....	11-12
<b>NOTES TO THE FINANCIAL STATEMENTS</b> .....	13-22
 <b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)..... SCHEDULE 1 .....	23-24
 <b>ADDITIONAL INFORMATION</b>	
Schedule of Water Operating Expenses and General and Administrative Expenses..... SCHEDULE 2 .....	25

# **PINEWOOD SPRINGS WATER DISTRICT LARIMER COUNTY, CO**

The following discussion and analysis of the Pinewood Water District's financial performance is intended to provide an overview of the District's financial activities for the fiscal year ended December 31, 2009, and is presented in conjunction with the District's financial statements which follow this section.

## **FINANCIAL HIGHLIGHTS**

1. In 2009, net assets were \$1,286,746 which represents an increase of \$15,448 (1.2%) when compared with 2008.
2. Total revenues were \$528,213 during 2009, which represents an increase of \$79,481 (17.71%) when compared with 2008.
3. Total expenses were \$486,654 during 2009, which represents an increase of \$126,684 (35.19%) when compared with 2008.
4. Funds available (current assets less current liabilities exclusive of the current portion of long-term debt) increased \$107,000 due to an increase in cash and a decrease in accrued interest.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2009**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of five components: Management's discussion and analysis, basic financial statements, notes to the basic financial statements, required supplementary information, and additional information.

**Basic Financial Statements**

*Statement of Net Assets.* The statement of net assets includes all of the District's assets and liabilities, with the difference between the two reported as *net assets*. It provides information pertaining to the nature of the District's investments (assets) and its obligations to creditors (liabilities). The statement also provides the basis for determining the overall financial health of the District including liquidity and financial flexibility.

*Statement of Revenues, Expenses, and Changes in Net Assets.* The statement of revenues, expenses, and changes in net assets includes all of the revenues and expenses. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal. This statement measures the success of the District's overall operation and can be used to determine if the District's fee and rates structure is adequate to recover expenses.

*Statement of Cash Flows.* The statement of cash flows presents information concerning the District's cash receipts and cash payments during the years. The statement reports the cash receipts, cash payments and net cash from operations, investments and capital, and related financial activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2009**

**FINANCIAL ANALYSIS OF PINWOOD SPRINGS WATER DISTRICT**

The financial analysis of the District begins on page 5 of this report. The true picture of the financial health of the District must be tempered with the operational theory and financial control that is practiced on a daily basis by the District.

**Financial Policy Priorities**

The financial goal of the District is to operate in a cost efficient manner that is similar to the practices of private enterprise. The District annually reviews its financial policies to assess their impact upon financial activities. Policies that affected financial activities are:

1. Debt service is funded from property taxes;
2. Administration and operations are funded from user fees;
3. User fees will fund a portion of capital improvements needs.

**Day-to-Day Operational Control of the District**

For operational control, the District has segmented its budget into two basic categories: operating and non-operating. Operating revenue is obtained from user fees and operating expenses are funded by operating revenue. Non-operating revenue is obtained from various sources including property taxes, interest income, and sale of assets. Non-operating expenses (capital improvements) are funded for the most part from non-operating revenue. Use of this type of categorization allows one to easily track operating revenues vs. operating expenses and non-operating revenue vs. non-operating expenses, and to quickly make prudent decisions regarding matters such as rate structures and expenditures.

Non-operating revenue and non-operating expenses are designed to provide for infrastructure needs of the District. Also contributing to non-operating revenue are contributions from operating revenue user fees, including funding depreciation reserves which allow the District to plan for and replace/improve infrastructure as the infrastructure ages and deteriorates. State and federal mandates are addressed as non-operating expenditures (capital improvements).

The District is organized as a self-supporting enterprise. User fees fund day-to-day operations of the District and assist in funding capital improvements primarily through the depreciation funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2009**

**Financial Analysis**

*Net Assets.* A summary of the statement of net assets follows. The District's net assets (the difference between assets and liabilities) are one way to measure the financial health of the District. Increases or decreases in the District's net assets are indicators of improving or deteriorating financial health. This, coupled with factors such as population growth, legislative changes or policy changes, provide an integrated assessment of the District's health.

**TABLE A**  
**Statement of Net Assets**

	<u>2009</u>	<u>2008</u>
Current assets	\$ 505,598	\$ 467,623
Non-current assets	<u>4,887,843</u>	<u>5,038,208</u>
Total assets	<u>5,393,441</u>	<u>5,505,831</u>
Current liabilities	449,929	467,521
Long-term liabilities	<u>3,656,766</u>	<u>3,767,012</u>
Total liabilities	<u>4,106,695</u>	<u>4,234,533</u>
Net assets:		
Invested in capital assets, net of related debt	1,070,655	1,210,059
Restricted	52,579	52,610
Unrestricted	<u>163,512</u>	<u>8,629</u>
Total net assets	<u>\$ 1,286,746</u>	<u>\$ 1,271,298</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2009

**Financial Analysis (continued)**

Capital improvements in the budget are identified as non-operating expenses and, in general, will always significantly differ from non-operating revenue. For sound financial health, the non-operating revenue should exceed the non-operating expenses in the long-term. The following shows revenues, expenditures, and changes in net assets for 2009 and 2008:

**TABLE B**  
**Condensed Statement of Revenues,**  
**Expenses, and Changes in Net Assets**

	<u>2009</u>	<u>2008</u>
Total operating revenue	\$ 199,184	\$ 208,353
Total operating expenses	358,670	308,547
Net operating loss	<u>(159,486)</u>	<u>(100,194)</u>
Non-operating revenue	287,711	209,386
Non-operating expenses	122,166	51,420
Net non-operating revenue	<u>165,545</u>	<u>157,966</u>
Net income before contributions	6,059	57,772
Capital contributions	33,699	30,993
Change in net assets	<u>39,758</u>	<u>88,765</u>
Beginning net assets	<u>1,271,298</u>	<u>1,182,533</u>
Prior period adjustment	(24,310)	-
Ending net assets	<u>\$ 1,286,746</u>	<u>\$ 1,271,298</u>

An examination of revenues and expenditures in 2009 shows that the District has increased assets by \$39,758. It appears that the operating fund failed to generate sufficient revenue to meet operating expenses. The operating loss of \$159,486 is net and includes the cost of depreciation expense. Exhibit B on the financials shows the detail of the net operating loss and Exhibit C shows the cash flows from operating activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2009**

**BUDGETARY HIGHLIGHTS**

The schedule of revenues and expenses, actual compared to adopted budget, is included in the required supplementary information. The numbers show that the District continues to operate in a positive situation - that is revenues exceeding expenditures.

**CAPITAL ASSETS AND DEBT ACTIVITIES**

The District's investment in capital assets as of December 31, 2009, amounted to \$4,837,667, net of accumulated depreciation. The improvements and additions to the water supply, treatment transmission and distribution systems were completed in 2008. More detailed information on the District's capital assets may be found in Note 3 in the Notes to Financial Statements.

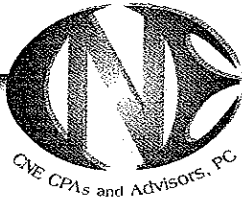
The District has \$3,656,766 of long-term debt obligations as of December 31, 2009. The long-term debt was incurred mainly for the improvements and additions to the water supply, treatment transmission and distribution systems completed in 2008.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At an election held on November 4, 2003, the electors of the District approved the incurrence of debt up to \$3,000,000, with interest not to exceed 5% per annum, for the purpose of construction a raw water storage reservoir, replacing and relocating main water distribution lines, acquiring water rights and sources and increasing water treatment capacity. During 2008 at a special election the District approved and increase to the funding for the reservoir project in the amount of \$750,000

**CONTACTING THE DISTRICT'S MANAGER**

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions concerning this report, or need additional information, please contact the Pinewood Springs Water District, 183 Cree Court, Lyons, CO 80540.



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pinewood Springs Water District  
Larimer County, Colorado

We have audited the accompanying basic financial statements of the Pinewood Springs Water District as listed in the table of contents as of and for the year ended, December 31, 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Pinewood Springs Water District, as of December 31, 2009, 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.

The management's discussion and analysis, budgetary comparison information on pages 1 through 5 and on pages 22 and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. The prior year comparative information found on pages 1 through 5 has been derived from the District's 2008 financial statements dated September 28, 2009, which was prepared by a different auditor. An unqualified opinion was expressed on the financial statements dated September 28, 2009. On the report dated June 22, 2010 we have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of water operating expenses and general and administrative expenses (Schedule 2) is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Schedule 2 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*CNE CPAs + Advisors PC*

**Certified Public Accountants**  
**June 22, 2010**

**PINEWOOD SPRINGS WATER DISTRICT**

**STATEMENT OF NET ASSETS - PROPRIETARY FUND**

December 31, 2009

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 101,315
Cash-restricted (Note 4)	117,619
Accounts receivable	21,362
Property taxes receivable	260,020
Inventory	4,806
Other assets	476
Total current assets	<u>505,598</u>

**NONCURRENT ASSETS**

Land and water rights	248,745
Other capital assets (net of accumulated depreciation of \$1,085,788)	4,588,922
Loan origination costs (net of amortization of \$4,663)	50,176
Total noncurrent assets	<u>4,887,843</u>

Total assets	<u><u>\$ 5,393,441</u></u>
--------------	----------------------------

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	4,745
Current portion of long-term debt	110,246
Accrued interest	74,918
Deferred property tax revenue	260,020
Total current liabilities	<u>449,929</u>

Long-term debt, net of current maturities (Note 4)	<u>3,656,766</u>
--	------------------

Total liabilities	<u>4,106,695</u>
-------------------	------------------

**NET ASSETS**

Invested in capital assets, net of related debt	1,070,655
Restricted for loan reserve fund (Note 4)	117,619
Unrestricted	98,472
Total net assets (Exhibit B)	<u>1,286,746</u>

Total liabilities and net assets	<u><u>\$ 5,393,441</u></u>
----------------------------------	----------------------------

## PINEWOOD SPRINGS WATER DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS - PROPRIETARY FUND  
Year Ended December 31, 2009**

<b>REVENUE</b>	
Water sales	\$ 199,737
Less, water testing, rental and storage:	<u>(7,619)</u>
	192,118
Miscellaneous income	<u>7,066</u>
Net revenue	199,184
 <b>OPERATING EXPENSES</b>	
Water operating expenses (Schedule 2)	291,125
Administrative and general expenses (Schedule 2)	<u>67,545</u>
Total operating expenses	<u>358,670</u>
 <b>LOSS FROM OPERATIONS (Exhibit C)</b>	 <u>(159,486)</u>
 <b>NON-OPERATING REVENUE (EXPENSE)</b>	
Property taxes	267,836
Specific ownership tax	18,498
Interest income	1,377
Interest expense	(114,782)
Treasurer's and bond agent fees	(5,371)
Amortization of loan fee	<u>(2,013)</u>
Total non-operating revenue (expenses)	<u>165,545</u>
 <b>INCOME BEFORE CONTRIBUTIONS</b>	 6,059
 <b>CAPITAL CONTRIBUTIONS</b>	 <u>33,699</u>
 <b>CHANGE IN NET ASSETS</b>	 39,758
 <b>NET ASSETS AS PREVIOUSLY REPORTED</b>	 1,271,298
Prior period adjustment (Note 5)	<u>(24,310)</u>
<b>NET ASSETS - Beginning of Year</b>	1,246,988
 <b>NET ASSETS - End of Year (Exhibit A)</b>	 <u>\$ 1,286,746</u>

## PINEWOOD SPRINGS WATER DISTRICT

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**Year Ended December 31, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 201,656
Payments to employees	(104,917)
Payments to employees	(2,537)
Other receipts (payments)	(100,293)
Net cash used by operating activities	<u>(6,091)</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING</b>	
<b>FINANCING ACTIVITIES</b>	
Property taxes	267,836
Specific ownership taxes	18,498
Treasurer's fees	(5,371)
Net cash provided by investing activities	<u>280,963</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED</b>	
<b>FINANCING ACTIVITIES</b>	
Interest and fees paid on long-term debt	(202,079)
Principal paid on long-term debt	(58,916)
Interest income	1,364
Amortization fees	(2,013)
Contributions from customers - tap fees	33,699
Net cash used by capital and related financing activities	<u>(227,945)</u>
 <b>NET (DECREASE) IN</b>	
<b>CASH AND CASH EQUIVALENTS</b>	46,927
 <b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>172,007</u>
 <b>CASH AND CASH EQUIVALENTS, End of Year (Exhibit A)</b>	<u><u>\$ 218,934</u></u>
 <b>SUMMARY:</b>	
Unrestricted cash and cash equivalents	101,315
Restricted cash (Note 4)	117,619
	<u><u>\$ 218,934</u></u>

## PINWOOD SPRINGS WATER DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended December 31, 2009

**RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Loss from operations (Exhibit B)	\$ (159,486)
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation	148,353
Changes in current assets and liabilities -	
Decrease (increase) in accounts receivable	(1,201)
Decrease (increase) in prepaid insurance	9,127
Increase (decrease) in accounts payable	(2,884)
Net cash used by operating activities	<u>\$ (6,091)</u>

# PINEWOOD SPRINGS WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of Pinewood Springs Water District's significant accounting policies is to assist the reader with interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

**Form of Organization.** Pinewood Springs Water District (the "District"), a quasi-municipal corporation was organized on April 19, 1978, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Larimer County, Colorado. The District was established to provide water services to the properties within its service area.

**Principles Determining Scope of Reporting Entity.** The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable GASB pronouncements as well as Accounting Standards Codification, that do not conflict with, or contradict, GASB pronouncements.

**Reporting Entity.** For financial reporting purposes, management has considered all potential component units in defining the District. The basic criterion for including a potential component unit is the District's ability to exercise significant operational control or financial accountability with the District. Financial relationship or operational control is determined on the basis of the District's obligation to fund deficits, responsibility for debt, budgetary authority, fiscal management, selection of governing authority and/or management, and the ability to significantly influence operations.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**Basis of Accounting.** Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used by the District, recognizing revenue when earned and expenses as incurred.

The District operates as an "Enterprise Fund" as prescribed in standards for governmental accounting systems because the intent of the Board is that costs and expenses (including depreciation) of providing services to its customers be financed or recovered primarily through user charges.

**PINEWOOD SPRINGS WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

The enterprise fund is accounted for on a cost of services or "capital - maintenance" measurement focus. Under this concept, all assets and all liabilities associated with the activity (whether current or noncurrent) are reported on the balance sheet. The proprietary fund type operating statement reports increases (revenue) and decreases (expenses) in net total assets.

The enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues are charges to customers for water. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Allowance for Doubtful Accounts.** Use and other similar fees set from time to time by the District's governing board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed in the same manner as provided by the laws of the State of Colorado. Therefore, no provision for uncollectible receivables has been made.

**Amortization.** Loan origination fees are amortized over the related debt term on the straight-line method. Amortization of these costs totaled \$2,013 for the year ending December 31, 2009.

**Cash Equivalents.** For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**Inventory.** Inventory is valued at lower of cost using the first-in, first-out method, or market and consists of parts such as pipe fittings and copper tubing.

**Property, Plant, and Equipment.** Capitalized assets are defined by the District as assets that have a useful life of one or more years, and or which the initial value equals or exceeds \$2,500. All purchased assets are valued at cost. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

PINEWOOD SPRINGS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

<u>Asset Class</u>	<u>Useful Life (Years)</u>
Reservoir	50
Filtration plant	30
Water system	30
Equipment	5-20
Vehicles	5

**Water Rights.** The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

**Property Taxes.** Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April, or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year that it is available or collected.

**Compensated Absences.** Compensated absences are recorded as current salary when paid. It is the District's policy that compensated absences do not accumulate, therefore, no accrual is necessary.

**Tap Fees and Contributed Lines.** Tap fees are recorded as non-operating revenue when received. Lines contributed to the District by developers are recorded as non-operating revenue and additions to the systems at the developer's cost.

**Net Assets.** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**PINEWOOD SPRINGS WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

**Budgets.** Colorado state law requires the adoption of a budget and appropriations. The budgets and related appropriations are prepared on the legal budgetary basis, which differs from a basis consistent with generally accepted accounting principles in that:

- capital revenues and capital expenditures are treated as operating items.
- principal retired is budgeted as non-operating expense.
- depreciation is not budgeted.
- contributions are budgeted as non-operating revenue

Therefore, comparison of actual operations on the accrual basis to the budgetary basis is not appropriate. A statement comparing the budget to actual - budgetary basis is included in Schedule 1. The adjustments necessary to convert the actual revenue and expenditures to the budgetary basis are presented in the following schedule:

	<u>Budgetary Basis</u>	<u>GAAP Basis</u>
<b>GENERAL WATER REVENUE FUND:</b>		
Loss from operations (Exhibit B)	\$ -	\$ (159,486)
Expenditures over revenue (Schedule 1)	54,570	-
Add: Depreciation and amortization	-	150,366
Fees contributed	-	33,699
Interest income	-	1,377
Property taxes	-	286,334
Less: Interest and agent fees	-	(120,153)
Change in receivables and payables	-	(137,567)
<b>Excess of expenditures over revenues</b>	<u>\$ 54,570</u>	<u>\$ 54,570</u>

PINEWOOD SPRINGS WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 2 – CASH AND INVESTMENTS

**Cash Deposits.** The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories with eligibility determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA, which allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate of the uninsured deposits.

Deposits at December 31, 2009, consisted of the following:

Insured by FDIC	\$ 28,346
Collateralized in Institution pools (Colotrust)	<u>190,588</u>
Cash per financial report	\$ 218,934

**Colotrust.** As of December 31, 2009, the District had invested in the Colorado Local Government Liquid Asset Trust (the "Trust") an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The pool is rated AAAM by Standard and Poor's. The Trust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U. S. Treasury securities. Colotrust Plus+ may also invest in certain obligations of U. S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U. S. Government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust.

**PINEWOOD SPRINGS WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

**NOTE 3 – PROPERTY, PLANT AND EQUIPMENT**

Capital asset activity for the year ended December 31 was as follows:

	<u>Balance 12/31/2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/09</u>
<b>Not depreciated:</b>				
Land	\$ 224,170	\$ -	\$ -	\$ 224,170
Easements	2,738	-	-	2,738
Water rights	21,837	-	-	21,837
	<u>\$ 248,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,745</u>
<b>Other capital assets:</b>				
Reservoir	\$ 4,022,719	\$ -	\$ -	\$ 4,022,719
Water system	1,161,388	-	-	1,161,388
Filtration plant	346,987	-	-	346,987
Water system	123,866	-	-	123,866
Filtration plant	19,751	-	-	19,751
	<u>5,674,711</u>	<u>-</u>	<u>-</u>	<u>5,674,711</u>
<b>Accumulated depreciation:</b>				
Reservoir	(39,268)	(94,583)	-	(133,851)
Water system	(636,622)	(36,637)	-	(673,259)
Filtration plant	(128,295)	(12,150)	-	(140,445)
Water system	(119,802)	(2,903)	-	(122,705)
Filtration plant	(13,449)	(2,080)	-	(15,529)
	<u>(937,436)</u>	<u>(148,353)</u>	<u>-</u>	<u>(1,085,789)</u>
Net other capital assets	<u>\$ 4,737,275</u>	<u>\$ (148,353)</u>	<u>\$ -</u>	<u>\$ 4,588,922</u>

Depreciation expense totaled \$148,353 for the year ended December 31, 2009.

**PINEWOOD SPRINGS WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

**NOTE 4 – LONG TERM OBLIGATIONS**

	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2009</u>
1998 General Obligation Water Bond	\$ 225,000	\$ -	\$ 25,000	\$ 200,000
General Obligation CWRPDA Loan	104,887	-	4,989	99,898
General Obligation CWRPDA Loan	684,352	-	28,927	655,425
General Obligation CWCBLloan	2,811,689	-	-	2,811,689
	<u>\$ 3,825,928</u>	<u>\$ -</u>	<u>\$ 58,916</u>	<u>\$ 3,767,012</u>

**\$500,000 General Obligation Water Bonds, Series, 1998.** Bond is dated March 1, 1998 with interest of 4.25% to 5.8% due semi-annually on June 1 and December 1. Bonds that mature December 1, 1998 through December 1, 2008 are not callable prior to maturity. Bonds maturing thereafter are subject to redemption prior to maturity, in whole or in part, in inverse order of maturity, on December 1, 2008, and on any subsequent interest payment date, upon payment of their par value and accrued interest, without redemption premium, at the option of the District. The Bonds are general obligations of the District payable from general ad valorem taxes to be levied upon all the taxable property within the District without limitation as to rate or amount.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 25,000	\$ 11,175	\$ 36,175
2011	25,000	9,850	34,850
2012	25,000	8,500	33,500
2013	25,000	7,125	32,125
2014	25,000	5,725	30,725
2015-2017	75,000	8,650	83,650
	<u>\$ 200,000</u>	<u>\$ 51,025</u>	<u>\$ 251,025</u>

**\$123,200 Drinking Water Revolving Fund Loan.** Loan is dated July 26, 2004 from the Colorado Water Resources and Power Development Authority to fund a water filtration plant. The loan has an annual interest rate of 3.5% and is due semi-annually on June 1 and December 1 through December 1, 2024. The loan constitutes a general obligation of the District. The District covenants to levy ad valorem taxes on all taxable property within its boundaries without limitation as to rate and in amount sufficient to pay the principal of and interest on the

**PINEWOOD SPRINGS WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

**NOTE 4 - LONG TERM OBLIGATIONS - continued**

loan and all other amounts due under the loan. The District is required to maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the system as set forth in the annual budget for the current fiscal year. At December 31, 2009, the District was in compliance with this covenant and the reserve balance is \$52,579.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 5,166	\$ 3,451	\$ 8,617
2011	5,348	3,269	8,617
2012	5,537	3,080	8,617
2013	5,732	2,885	8,617
2014	5,935	2,682	8,617
2015-2024	72,180	13,979	86,159
	<u>\$ 99,898</u>	<u>\$ 29,346</u>	<u>\$ 129,244</u>

**\$752,425 Drinking Water Revolving Fund Loan.** Loan is dated April 3, 2006 from the Colorado Water Resources and Power Development Authority to fund the expansion and upgrade of the water treatment facility, water distribution lines, and related pumping facilities. The loan has an annual interest rate of 3.5% and is due semi-annually on June 1 and December 1 through June 1, 2026. The first payment was December 1, 2006. The loan constitutes a general obligation of the District. The District covenants to levy ad valorem taxes on all taxable property within its boundaries without limitation as to rate and in amount sufficient to pay the principal of and interest on the loan and all other amounts due under the loan. The District is required to maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the system as set forth in the annual budget for the current fiscal year. At December 31, 2009, the District was in compliance with this covenant and the reserve balance is \$52,579.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 29,947	\$ 22,681	\$ 52,628
2011	31,005	21,623	52,628
2012	32,100	20,528	52,628
2013	33,233	19,395	52,628
2014	34,406	18,220	52,626
2015-2026	494,734	110,486	605,220
	<u>\$ 655,425</u>	<u>\$ 212,933</u>	<u>\$ 868,358</u>

**PINEWOOD SPRINGS WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009**

**NOTE 4 - LONG TERM OBLIGATIONS - continued**

**\$2,811,689 Colorado Water Conservation Board Loan.** Loan is dated February 1, 2005 from the Colorado Water Conservation Board ("CWCB") to fund the commotion of a new storage reservoir, pump stations, new water pipelines and other system components, and to purchase Water rights. The CWCB will pay the District for eligible project costs on a periodic basis. The loan has an annual interest rate of 4% and is due annually beginning May 1, 2010. The loan term is 30 years from substantial completion of the project. Accrued interest is due May 1, 2009. The District irrevocably pledges revenues levied for purposes of repayment and any other funds legally available to the District in an amount sufficient to pay the annual payment due. The District shall maintain a debt service reserve account and deposit an amount equal to one-tenth of an annual payment annually for the first ten years of repayment beginning on the due date of its first annual. At December 31, 2009 the District was in compliance with this covenant and the reserve balance is \$65,040.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 50,133	\$ 112,467	\$ 162,600
2011	52,138	110,462	162,600
2012	54,223	108,377	162,600
2013	56,393	106,207	162,600
2014	58,648	103,952	162,600
2015-2039	<u>2,540,154</u>	<u>1,524,853</u>	<u>4,065,007</u>
	<u>\$ 2,811,689</u>	<u>\$ 2,066,318</u>	<u>\$ 4,878,007</u>

Aggregate principal and interest on outstanding debt at December 31, 2009:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 110,246	\$ 149,774	\$ 260,020
2011	113,491	145,204	258,695
2012	116,860	140,485	257,345
2013	120,358	135,612	255,970
2014	123,989	130,579	254,568
2015-2039	<u>3,182,068</u>	<u>1,657,968</u>	<u>4,840,036</u>
	<u>\$ 3,767,012</u>	<u>\$ 2,359,622</u>	<u>\$ 6,126,634</u>

**PINEWOOD SPRINGS WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009**

**NOTE 5 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to net assets for the year ending December 31, 2009. Insurance expense was overstated by \$9,127 and interest expense was understated by \$33,437 for the year ended December 31, 2008. The net effect was a decrease to net assets in the amount of \$24,310.

**NOTE 6 – SUBSEQUENT REVIEW**

Subsequent events have been evaluated through June 22, 2010 which was the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION

## PINEWOOD SPRINGS WATER DISTRICT

**SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended December 31, 2009**

	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Operating Revenues -			
Water sales	\$ 242,176	\$ 162,817	\$ (79,359)
System rehabilitation fees	21,697	20,191	(1,506)
Tap connection fees	16,000	33,698	17,698
System connection fee	1,000	-	(1,000)
<b>Total operating revenues</b>	<u>280,873</u>	<u>216,706</u>	<u>(64,167)</u>
Property taxes	269,160	267,836	(1,324)
Specific ownership taxes	9,000	18,498	9,498
Interest income	5,000	1,364	(3,636)
Other revenue	900	5,566	4,666
<b>Total non operating revenues</b>	<u>284,060</u>	<u>293,264</u>	<u>9,204</u>
<b>Total revenues</b>	<u>\$ 564,933</u>	<u>\$ 509,970</u>	<u>\$ (54,963)</u>
Operating Expenses -			
Wages	75,000	70,985	4,015
Water hauling and purchase	70,000	-	70,000
Utilities expense	23,370	23,382	(12)
Water system repairs and maintenance	8,000	16,246	(8,246)
Water supplies and chemicals	6,500	8,533	(2,033)
Payroll taxes	5,963	5,350	613
Vehicle expense	5,699	5,253	446
Water shares rental	5,000	1,687	3,313
Water testing	5,000	5,297	(297)
Repairs and maintenance	3,000	1,525	1,475
Telephone	1,405	1,205	200
Contract labor	500	488	12
Dues	500	510	(10)
Water storage	500	850	(350)
<b>Total operating expenses</b>	<u>\$ 210,437</u>	<u>\$ 141,311</u>	<u>\$ 69,126</u>

## PINEWOOD SPRINGS WATER DISTRICT

SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended December 31, 2009

	Final Budget	Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)
General and Administrative -			
Wages	\$ 25,000	\$ 26,553	\$ (1,553)
Insurance	17,000	21	16,979
Professional fees	14,500	16,183	(1,683)
County treasurer's fees	7,840	5,371	2,469
Directors' fees	6,000	4,900	1,100
Office supplies	3,700	5,952	(2,252)
Payroll taxes	1,987	2,031	(44)
Dues	1,380	699	681
Miscellaneous expense	900	296	604
Travel and training	800	318	482
Telephone expense	703	714	(11)
Bank charges	300	187	113
Advertising	100	19	81
<b>Total general and administrative expenses</b>	<u>80,210</u>	<u>63,244</u>	<u>16,966</u>
Debt service			
Loan origination fee	223,846	233,485	(9,639)
Principal	25,000	-	25,000
Interest	12,475	6,438	6,037
<b>Total debt service</b>	<u>261,321</u>	<u>239,923</u>	<u>21,398</u>
Capital Improvements -			
Easements	62,000	-	62,000
System improvements	21,697	-	21,697
Survey	10,000	-	10,000
Legal fees	-	1,989	(1,989)
Studies and miscellaneous	-	8,933	(8,933)
<b>Total capital improvements</b>	<u>93,697</u>	<u>10,922</u>	<u>82,775</u>
<b>Total expenditures</b>	<u>645,665</u>	<u>455,400</u>	<u>190,265</u>
<b>Excess of revenues over (under) expenditures</b>	<u>\$ (80,732)</u>	<u>\$ 54,570</u>	<u>\$ (245,228)</u>

## ADDITIONAL INFORMATION

PINEWOOD SPRINGS WATER DISTRICT

SCHEDULE OF WATER OPERATING EXPENSES AND  
GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended December 31, 2009
<b>WATER OPERATING EXPENSES</b>	
Wages and payroll expense	\$ 76,335
Depreciation expense	148,353
Electric	21,364
Water system repairs and maintenance	16,246
Reservoir project	8,878
Supplies	8,533
Vehicle expense	5,253
Utilities expense	2,434
Repairs and maintenance	2,014
Telephone	1,205
Dues	510
Total operating expenses (Exhibit B)	<u>\$ 291,125</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	
Wages and payroll expense	28,582
Professional fees	10,475
Insurance	9,148
Office supplies and expense	5,953
Legal fees	5,708
Board compensation	4,900
Miscellaneous expenses	864
Telephone expense	714
Dues	699
Rent of firehouse	296
Bank charges	187
Advertising	19
Total general and administrative expenses (Exhibit B)	<u>\$ 67,545</u>