

EAST BOULDER COUNTY WATER DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**For the Year Ended
December 31, 2009**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
East Boulder County Water District

We have audited the accompanying basic financial statements of East Boulder County Water District (the "District") as of December 31, 2009, 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 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 financial position of East Boulder County Water District at December 31, 2009, and the results of its operations and its cash flows for the year 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 on pages 2 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.

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 expenses and schedule of revenues and expenses - budget and actual (non-GAAP budgetary basis) are presented for purposes of additional analysis and are not a required part of the financial statements. This information 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.

Watkins & Schommer, Inc.

Watkins & Schommer, Inc.
Greeley, Colorado
September 13, 2010



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**East Boulder County Water District
Management Discussion and Analysis
For the Year Ended December 31, 2009**

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to also inform the reader on District financial issues and activities.

The Management Discussion and Analysis (MD&A) should be read in conjunction with the District's basic financial statement (beginning on page 7).

2009 Highlights - Business-Type Activities

- In 2009, net assets were \$2,209,996 or an increase of \$272,848 or a 14.1% when compared to 2008.
- Total operating revenues decreased to \$136,688 during 2009, which was \$13,858 or 9.2% less when compared to 2008.
- Total operating expenses were \$146,024 or a decrease of \$8,720, 5.6%, in 2009 when compared to 2008.
- Net capital assets were \$3,311,056 in 2009 compared to \$3,220,067 in 2008 for a net increase of \$90,989 or 2.8%.
- Long-term debt decreased to \$1,465,000 during 2009, which was \$110,000 or 7.0% less when compared to 2008.

Using this Annual Report

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado engaged only in a business-type activity. As an enterprise fund, the District's basic financial statements include:

Statement of Net Assets - reports the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (See page 7).

Statement of Revenues, Expenses and Changes in Fund Net Assets - reports the District's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (See page 8).

Statement of Cash Flows - reports the District's cash flows from operating activities, investing, capital and non-capital activities. (See page 9).

**East Boulder County Water District
Management Discussion and Analysis
For the Year Ended December 31, 2009**

Statement of Net Assets

The net assets of the District increased to \$2,209,966 during 2009, a \$272,848 increase over 2008. Capital assets increased during 2009 from 2008 due to construction in progress of \$124,904 less depreciation expense of \$33,915. Long-term debt decreased primarily as a result of the retirement of \$110,000 of bond principal on the 2000 general obligation bonds.

December 31,	<u>2009</u>	<u>2008</u>
Assets		
Current assets	549,971	465,545
Capital assets	3,311,056	3,220,067
Other noncurrent assets	<u>48,892</u>	<u>57,491</u>
Total assets	<u>3,909,919</u>	<u>3,743,103</u>
Liabilities		
Current liabilities	344,923	340,985
Non-current liabilities	<u>1,355,000</u>	<u>1,465,000</u>
Total liabilities	<u>1,699,923</u>	<u>1,805,985</u>
Net assets		
Invested in capital assets, net of related debt	491,056	(48,690)
Restricted:		
Debt service	53,881	38,683
TABOR emergency reserve	9,069	4,700
Unrestricted		
Board designated for capital improvements	230,216	109,820
Undesignated	<u>1,425,774</u>	<u>1,832,605</u>
Total net assets	<u><u>2,209,996</u></u>	<u><u>1,937,118</u></u>

**East Boulder County Water District
Management Discussion and Analysis
For the Year Ended December 31, 2009**

Review of Revenues

Years Ending December 31,	<u>2009</u>	<u>2008</u>
Operating revenues		
Water-treated	132,720	146,076
Other income	3,968	4,470
	<u>136,688</u>	<u>150,546</u>
<u>Total operating revenues</u>		
Non-operating revenues		
Property taxes	216,257	203,082
Specific ownership taxes	11,326	12,403
Earnings on Investments	1,450	6,106
	<u>229,033</u>	<u>221,591</u>
<u>Total non-operating revenues</u>		
<u>Total revenues</u>	<u><u>365,721</u></u>	<u><u>372,137</u></u>

Water sales were \$132,720 or 87.9% of budgeted sales and an decrease of \$13,356 compared to 2008. Earnings on investments were down \$4,656 or (76.3%) when compared to 2008. Total revenues were down \$6,416 from 2008 primarily due to a decrease in water revenues and approximately a \$13,000, a decrease in earnings on investments of \$4,656, both of which were offset by a \$13,175 increase in property tax revenues.

Review of Expense

Years Ending December 31,	<u>2009</u>	<u>2008</u>
Operating expenses		
Operating expenses	94,716	98,960
Administration and general expenses	17,393	15,171
Engineering	-	6,698
Depreciation	33,915	33,915
	<u>146,024</u>	<u>154,744</u>
<u>Total operating expenses</u>		

Total District expenditures were 26.8% under budget and up 28.8% from the previous year of \$355,598 due primarily to capital expenditures in 2009 of \$124,904, a \$17,818 decrease in the cost of water purchased from Lafayette and a \$15,000 increase in principal paid on the District's 2000 general obligation bond. Operating expenses decreased 5.6% in 2009 compared to 2008. Budget constraints held many costs even with the previous year or were down slightly.

**East Boulder County Water District
Management Discussion and Analysis
For the Year Ended December 31, 2009**

Capital Contributions

Year Ending December 31,	2009	2008
Capital contributions	281,113	30,457
Reimbursement of contributions	(116,948)	(28,457)
<u>Net contributions</u>	164,165	2,000

Capital Assets (Net of Depreciation) and Debt Administration

December 31,	2009	2008
Transmission and distribution lines	1,492,395	1,526,310
System inclusion fee	1,693,757	1,693,757
Construction in progress	124,904	-
<u>Total</u>	3,311,056	3,220,067

Major additions in 2009 were:

Additional distribution lines in the Majestic View area.

Debt and Other Financial Obligations

The District long-term debt was \$1,465,000 and \$1,575,000 in 2009 and 2008, respectively. The decrease was due to the retirement of \$110,000 of the 2000 general obligation bonds during 2009. (See page 15).

Contracts and Agreements

The District is a party to several contracts and cooperative agreements concerning the financing, acquisition, construction, operation, maintenance, and use of certain water facilities. According to the general counsel for the District, to the best of his knowledge, with the exception of the contracts and agreements referenced hereafter or set forth below, there are no contracts or agreements in effect which would potentially have a material, pecuniary adverse effect on the District.

City of Lafayette Intergovernmental Agreement ("IGA") - Pursuant to a declaration of understanding with the City of Lafayette, Colorado, executed in May 2000, and amended in December, 2000, the City will provide the District with potable water via a master meter arrangement. The District will pay per tap for water taps pursuant to the Lafayette City Code and will pay in-city rates for water used through the master meter. The agreement provides for the City to withdraw from the agreement only after a lengthy Notice Period. The District may include additional properties and the City will provide water for them, provided they are within the boundaries of the original service area as described in the IGA. The original service area contains approximately 125 properties and is entirely residential single-family (or vacant land zone for such use). The December 2000 amendment specifies certain improvements the District will undertake and a schedule for those improvements. The improvements include additional storage tank capacity and the construction of some line connection loops.

**East Boulder County Water District
Management Discussion and Analysis
For the Year Ended December 31, 2009**

Overall, the District has shown minor fluctuations in water revenues as a result of weather and economic demand. Water taps have been sold where new homes are constructed or infill inclusions are processed. The District's water rate structure is primarily organized on the principle of sufficiently marking up Lafayette's water rates so as to ensure the District will continue as a financially sound entity. Operating expenses have been consistent over the last few years and reflect only limited increases. Construction costs are primarily driven by the need to meet the aforementioned demands of the Lafayette IGA as well as to ensure stability of domestic and emergency supply.

Financial Contract

The District's financial statements are designed to present users (customers, citizens, creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information please contact the District at East Boulder County Water District, P.O. Box 18641, Boulder, Colorado 80308.

BASIC FINANCIAL STATEMENTS

**East Boulder County Water District
Statement of Net Assets
December 31, 2009**

ASSETS

<u>Current assets</u>	
Cash and cash equivalents	330,332
Accounts receivable	7,775
Property taxes receivable	209,667
Prepaid expenses	<u>2,197</u>
<u>Total current assets</u>	<u>549,971</u>
<u>Non-current assets</u>	
<u>Capital assets</u>	
Distribution system, net of accumulated depreciation	1,617,299
System inclusion fee	<u>1,693,757</u>
<u>Total capital assets</u>	3,311,056
<u>Other assets</u>	
Debt issuance costs	<u>48,892</u>
<u>Total non-current assets</u>	<u>3,359,948</u>
<u>Total assets</u>	<u>3,909,919</u>

LIABILITIES

<u>Current liabilities</u>	
Current portion of long-term liabilities	110,000
Accounts payable	17,503
Accrued interest payable	7,753
Deferred revenue	<u>209,667</u>
<u>Total current liabilities</u>	<u>344,923</u>
<u>Non-current liabilities</u>	
General obligation bond payable	<u>1,355,000</u>
<u>Total liabilities</u>	<u>1,699,923</u>

NET ASSETS

<u>Net assets</u>	
Invested in capital assets, net of related debt related debt	1,846,056
Restricted	
Labor emergency reserve	9,069
Debt service	53,881
Unrestricted	
Board designated for capital improvements	230,216
Undesignated	<u>70,774</u>
<u>Total net assets</u>	<u><u>2,209,996</u></u>

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

East Boulder County Water District
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended December 31, 2009

<u>Operating revenues</u>	
Water sales	132,720
Other income	3,968
	136,688
<u>Total operating revenues</u>	
<u>Operating expenses</u>	
Operating expenses	94,716
Administrative and general expenses	17,393
Depreciation	33,915
	146,024
<u>Total operating expenses</u>	
<u>Operating loss</u>	(9,336)
<u>Non-operating revenues (expenses)</u>	
Property taxes	216,257
Specific ownership taxes	11,326
Earnings on investments	1,450
Interest expense	(107,585)
County treasurer fees	(3,249)
Paying agent fees	(150)
	118,049
<u>Total non-operating revenues (expenses)</u>	
<u>Income before contributions</u>	108,713
Capital contributions - net	164,165
<u>Change in net assets</u>	272,878
<u>Net assets - beginning of year</u>	1,937,118
<u>Net assets - end of year</u>	2,209,996

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

East Boulder County Water District
Statement of Cash Flows
Year Ended December 31, 2009

	2009
<u>Cash flows from operating activities</u>	
Cash received from customers	134,240
Cash paid to suppliers	(94,623)
Cash paid to employees	(8,293)
<u>Net cash flows from operating activities</u>	31,324
<u>Cash flows from non-capital financing activities</u>	
Taxes	234,073
County treasurer fees	(3,249)
<u>Net cash flows from non-capital financing activities</u>	230,824
<u>Cash flows from capital and related financing activities</u>	
Contributed capital	164,165
Interest expense	(99,527)
Principal paid on long-term debt	(110,000)
Acquisition of capital assets	(124,904)
Paying agent fees	(150)
<u>Net cash flows from capital and related financing activities</u>	(170,416)
<u>Cash flows from investing activities</u>	
Earnings on investments	1,450
<u>Net cash flows from investing activities</u>	1,450
<u>Net change in cash and cash equivalents</u>	93,182
<u>Cash and cash equivalents - beginning of year</u>	237,150
<u>Cash and cash equivalents - end of year</u>	330,332
<u>Reconciliation of operating loss to net cash flows from operating activities</u>	
Operating loss	(9,336)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation	33,915
Changes in assets and liabilities:	
Receivables	4,042
Prepaid Items	(1,776)
Accounts payable	11,322
Accrued wages payable	(353)
Deferred revenue	(6,490)
<u>Net cash flows from operating activities</u>	31,324
<u>Non-cash investing, capital, and financing activities:</u>	
Amortization of bond issuance costs.	8,599

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

**East Boulder County Water District
Notes to Financial Statements
December 31, 2009**

Note 1 - Summary of Significant Accounting Policies

Form of Organization

East Boulder County 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 the powers thereof which include 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 has no 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

The District's financial statements are presented on the accrual basis of accounting. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

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 state statute. 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 debt payments are budgeted as expenditures and debt proceeds are budgeted as revenues.

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 following is a summary, presented for TABOR compliance purposes, of the original budget, total revisions and revised budget for the year 2009:

	Original Budget	Total Revisions	Revised Budget
Enterprise fund	170,950	-	170,950
Debt service fund	206,271	-	206,271
<u>District total</u>	<u>377,221</u>	<u>-</u>	<u>377,221</u>

**East Boulder County Water District
Notes to Financial Statements
December 31, 2009**

Note 1 - Summary of Significant Accounting Policies (Continued)

The following is a reconciliation of the GAAP basis change in net assets to the budget basis change in net assets:

Changes in net assets	272,878
Add: depreciation	33,915
Less: capital outlay	(124,904)
principal paid	(110,000)
 <u>Budget basis revenues over budget</u>	
<u>basis expenditures</u>	71,889

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.

Investments

The District's investments in marketable debt and equity securities are carried at fair value plus accrued interest with net appreciation or depreciation on investments included in earnings on investments. Amounts invested in certificates of deposit, with original maturities of greater than three months, are carried at fair value, including accrued interest. At December 31, 2009, the District did not have any investments.

Allowance for Doubtful Accounts

The District has not established an allowance for doubtful accounts because all charges for services create a statutory lien on the property which will be paid to the District when the property is sold.

Revenue Recognition/Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December and are payable in full by April 30 or in two equal installments due February 28 and June 15. The County Treasurer bills and collects property taxes for all taxing entities within the County. The property tax receipts collected by the County Treasurer each month are remitted to the District by the tenth day of the subsequent month.

Property tax revenues are recognized when collected by the County Treasurer each month. Property tax revenue held by the County Treasurer on December 31 is treated as revenue of the current year. Delinquent taxes of prior years are recognized as revenue when collected by the County Treasurer.

Revenue Recognition

Operating revenues are those revenues that are generated directly from the primary activity of the District. These revenues are for water treatment and delivery service, which are earned as water is delivered and services are provided. The District is responsible for billing and collection of these charges on a monthly basis. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances are considered past due 30 days from the invoice date.

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.

East Boulder County Water District
Notes to Financial Statements
December 31, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

The District paid to the City of Lafayette a system enhancement fee of \$1,693,757 at the time the District was organized to provide water service to the District's customers. The District carries this investment as a capital asset at its historical cost, which is not depreciated.

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 an estimated 50 year life.

Debt Issuance Costs

Debt issuance costs are amortized over the life of the debt using the effective interest method.

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 no liability for accrued compensated absences at December 31, 2009.

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.

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.

If applicable, the District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

East Boulder County Water District
Notes to Financial Statements
December 31, 2009

Note 2 - Cash and Investments

Cash Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of 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. At December 31, 2009, all of the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

Investments

Credit Risk

The District's investment policy defines allowable investments instruments including:

- Certificates of deposit with an original maturity in excess of three months
- Obligations of the United States and certain U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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. District policy is to hold investments until maturity

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk.

Local Government Investment Pools

Pooled investment funds (trusts) are supervised by the participating governments and must comply with the same restrictions on cash deposits and investments explained in the preceding paragraphs. Investment funds or money market funds are not categorized because they are not evidenced by securities that exist in physical or book form.

East Boulder County Water District
Notes to Financial Statements
December 31, 2009

Note 2 - Cash and Investments (Continued)

Local Government Investment Pools (Continued)

At December 31, 2009, the District had invested \$158,020 in the Colorado Local Government Liquid Asset Trust (the "Trust"), a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAA by Standard and Poor's and Aaa by Moody Rating. Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

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

	Book Balance	Bank Balance
<i>Cash deposits</i>		
Insured deposits	171,517	202,101
Collateralized deposits	-	-
	<hr/>	<hr/>
Total cash in bank	171,517	<u>202,101</u>
Uncategorized:		
Colotrust	158,020	
Cash with County Treasurer	<u>795</u>	
Total cash deposits	<u>330,332</u>	

**East Boulder County Water District
Notes to Financial Statements
December 31, 2009**

Note 3 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
System inclusion fee	1,693,757	-	-	1,693,757
Construction in progress	-	124,904	-	124,904
Total capital assets not being depreciated	1,693,757	124,904	-	1,818,661
Capital assets, being depreciated:				
Distribution system	1,744,292	-	-	1,744,292
Total capital assets, being depreciated	1,744,292	-	-	1,744,292
Less accumulated depreciation for:				
Distribution system	(217,982)	(33,915)	-	(251,897)
Total accumulated depreciation	(217,982)	(33,915)	-	(251,897)
Total capital assets being depreciated, net	1,526,310	(33,915)	-	1,492,395
Total capital assets, net	3,220,067	90,989	-	3,311,056

Note 4 - Long-Term Debt

In 2000 the District issued general obligation bonds to finance the construction of the District's water system. Interest rates on these bonds are fixed at 5.0 to 6.5 percent (depending on maturity date) with final maturity in 2019. Repayment will be made from property taxes.

A summary of changes in debt is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2000 general obligation bonds	1,575,000	-	110,000	1,465,000	110,000

Future annual principal and interest requirements are as follows:

Year	Principal	Interest	Total
2010	110,000	93,038	203,038
2011	115,000	86,438	201,438
2012	125,000	79,422	204,422
2013	130,000	71,735	201,735
2014	140,000	63,675	203,675
2015-2019	845,000	171,600	1,016,600
	<u>1,465,000</u>	<u>565,908</u>	<u>2,030,908</u>

East Boulder County Water District
Notes to Financial Statements
December 31, 2009

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 to mitigate these 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. There have been no significant reductions in insurance coverage.

Note 6 - TABOR Compliance

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") 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, exclude 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 has set aside \$9,069 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 legal interpretation.

Note 7 - Subsequent Events

Management of the District has evaluated subsequent events through September 13, 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.

OTHER SUPPLEMENTARY INFORMATION

**East Boulder County Water District
Schedule of Expenses
Year-Ended December 31, 2009
(Unaudited)**

Operating expenses

Water purchases	64,528
System maintenance	16,905
Maintenance labor	4,731
Utilities	4,564
Meter reading	2,742
Miscellaneous	846
Water testing	400
	<hr/>

Total operating expense 94,716

Administrative and general expenses

Bookkeeping fees	4,690
Audit	3,010
Director's fees	3,000
Insurance	2,625
Legal	1,133
Office expense	1,047
Meeting expense	800
Payroll taxes	716
Due and subscriptions	372
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Total administrative and general expenses 17,393

See accompanying Independent Auditors' Report.

East Boulder County Water District
Schedule of Revenues and Expenses - Budget and Actual
(Non-GAAP Budgetary Basis)
Year-Ended December 31, 2009
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>Water enterprise operations</u>				
<u>Revenues</u>				
Capital contributions	8,000	8,000	164,165	156,165
Usage charges	151,000	151,000	132,720	(18,280)
Other tax revenue	10,000	10,000	11,326	1,326
Standby fee	4,200	4,200	3,678	(522)
Earnings on investment	5,000	5,000	1,306	(3,694)
Other fees and charges	600	600	290	(310)
<u>Total revenues</u>	<u>178,800</u>	<u>178,800</u>	<u>313,485</u>	<u>134,685</u>
<u>Expenditures</u>				
Water purchase	85,000	85,000	64,528	20,472
Maintenance	3,000	3,000	16,905	(13,905)
Maintenance labor	8,000	8,000	4,731	3,269
Bookkeeping	4,600	4,600	4,690	(90)
Utilities	6,500	6,500	4,564	1,936
Audit	2,500	2,500	3,010	(510)
Director's fees	3,000	3,000	3,000	-
Meter reading	2,800	2,800	2,742	58
Insurance	2,900	2,900	2,625	275
Legal	1,000	1,000	1,133	(133)
Office	1,500	1,500	1,047	453
Miscellaneous	2,500	2,500	846	1,654
Meetings	800	800	800	-
Payroll taxes	640	640	716	(76)
Water testing	1,000	1,000	400	600
Dues and subscriptions	500	500	372	128
Bank charges	200	200	-	200
Contingency	617	617	-	617
Capital outlay	230,249	230,249	124,904	105,345
Transfer to capital reserves	52,234	52,234	-	52,234
<u>Total expenditures</u>	<u>409,540</u>	<u>409,540</u>	<u>237,013</u>	<u>172,527</u>
<u>Excess of enterprise revenues over expenditures</u>	<u>(230,740)</u>	<u>(230,740)</u>	<u>76,472</u>	<u>307,212</u>

See accompanying Independent Auditors' Report.

East Boulder County Water District
Schedule of Revenues and Expenses - Budget and Actual
(Non-GAAP Budgetary Basis)
Year-Ended December 31, 2009
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Debt service</u>				
<u>Revenues</u>				
Taxes	216,257	216,257	216,257	-
Earnings on investment	144	144	144	-
<u>Total revenues</u>	<u>216,401</u>	<u>216,401</u>	<u>216,401</u>	<u>-</u>
<u>Expenditures</u>				
Treasurer fees	3,244	3,244	3,249	(5)
Paying agent fees	150	150	150	-
Interest expense	103,007	103,007	107,585	(4,578)
Principal paid	110,000	110,000	110,000	-
<u>Total expenditures</u>	<u>216,401</u>	<u>216,401</u>	<u>220,984</u>	<u>(4,583)</u>
<u>Deficiency of debt service revenues over expenditures</u>	<u>-</u>	<u>-</u>	<u>(4,583)</u>	<u>(4,583)</u>
<u>Total district revenues</u>	395,201	395,201	529,886	134,685
<u>Total district expenditures</u>	625,941	625,941	457,997	167,944
<u>Excess of district revenues over expenditures</u>	<u>(230,740)</u>	<u>(230,740)</u>	<u>71,889</u>	<u>302,629</u>

See accompanying Independent Auditors' Report.