

Management's Discussion and Analysis

As managing entity of the Boxelder Basin Regional Stormwater Authority (the Authority), Local Government Solutions, LLC offers the following overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) Authority financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements. The Authority financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Authority financial statements distinguish functions of the Authority that are principally to be supported by service fees from other functions that are intended to recover all or a significant portion of the Authority's capital investment through system development fees. The governmental activities of the Authority include the financing, construction of, and maintenance of public infrastructure improvements constructed or acquired by the District. The Authority financial statements can be found on pages 1-2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has two funds – an operations fund and a capital projects fund.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for both the operations fund and the capital projects fund.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 10-19 of this report.

Required Supplementary Information. The Authority adopts an annual appropriated budget for its general fund. A budgetary comparison statement for this fund has been provided as required supplementary information to demonstrate compliance with this budget. The general fund budget statements and notes are found on pages 20-21 of this report.

Other information. The report includes individual fund schedules. A budgetary comparison statement has been provided in this section for the debt service fund, the water fund and the sewer fund to demonstrate compliance with these budgets. The budget statements are found on pages 22-26 of this report.

Financial Analysis As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded liabilities by \$444,476.00 as of December 31, 2010.

Financial Highlights

- Assets exceeded liabilities by 444,476.00 as of December 31, 2010.
- As of December 31, 2010 the Authority's governmental funds reported combined ending fund balances of \$ 598,821.00.
- Total net assets increased by \$71,397 during the calendar year 2010.
- Total cash and investments decreased by \$ 2,241,883 as compared to the prior year.
- Operations fund expenditures totaled \$108,879 during the calendar year 2010.
- At the end of the current fiscal year, unreserved fund balance for the capital projects fund was \$596,454.

Financial Analysis of the Authority's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Authority funds. The focus of the Authority funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Long-Term Debt

At the end of the current fiscal year, the Authority had total outstanding long-term debt of \$664,210. Additional information on the District's long-term debt can be found in note 4 beginning on page 9 of this report.

Next Year's Budgets and Rates

Stormwater fees are expected to increase slightly over 2010 as a result of some growth and potential rate increase. Expenditures are expected to increase slightly also. The Authority is

anticipating an increase in rates as more information is obtained as to the cost of the remaining projects.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to: Manager – Boxelder Basin Regional Stormwater Authority – P.O. Box 1091 Wellington, CO 80549.

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