

Pinewood Springs Water District

Financial Statements

For the year ended December 31, 2018

BF Borgers CPA PC
www.bfbcpa.us



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Pinewood Springs Water District Management's Discussion and Analysis

August 8, 2019

To the Board of Directors and Members
Pinewood Springs Water District

Report on the Financial Statements

We have audited the accompanying financial statements of Pinewood Springs Water District which comprise the statements of financial position as of December 31, 2018, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinewood Springs Water District as of December 31, 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

B F Boyer CPA PC

**Certified Public Accountants
Lakewood, CO**

Pinewood Springs Water District Management's Discussion and Analysis

PINEWOOD SPRINGS WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018

The following discussion and analysis of the Pinewood Springs Water District's financial performance is intended to provide an overview of the District's financial activities for the fiscal year ended December 31, 2018, and is presented in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

1. In 2018, Net Position was \$1,403,252, which represents an increase of \$81,424 (6%) when compared with 2017.
2. Total revenues were \$430,273 during 2018, which represents an increase of \$16,793 (4%) when compared with 2017.
3. Total expenses were \$471,158 during 2018, which represents an increase of \$23,109 (5%) when compared with 2017.

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 Position. The statement of Net Position includes all of the District's assets and liabilities, with the difference between the two reported as *Net Position*. 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 Position. The statement of revenues, expenses, and changes in Net Position includes all of the revenues and expenses. All changes in Net Position is 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 years. 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.

Pinewood Springs Water District Management's Discussion and Analysis

FINANCIAL ANALYSIS OF PINEWOOD SPRINGS WATER DISTRICT

The financial analysis of the District begins on page 4 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.

Financial Analysis

Net Position . A summary of the statement of Net Position follows. The District's Net Position (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 Position 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.

Pinewood Springs Water District
Management's Discussion and Analysis

TABLE A
Statement of Net Position - 2018

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents, unrestricted	\$ 163,582	\$ 50,026
Cash and cash equivalents, restricted	403,483	359,532
Accounts receivable	47,685	72,830
Property taxes receivable	265,671	298,022
Total Current Assets	880,421	780,411
Capital assets, net	3,132,330	3,301,559
Loan origination costs, net	30,131	32,159
Other Non-Current Assets		
Land and water rights	302,545	302,545
Construction-in progress	42,550	42,550
Total Non-current Assets	345,096	345,095
Total Assets	\$ 4,387,977	\$ 4,459,224

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 Position for 2018 and 2017:

Pinewood Springs Water District
Management's Discussion and Analysis

TABLE B

Condensed Statement of Revenues, Expenses, and Changes in Net Position 2018

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Revenues		
Water sales	\$ 430,273	\$ 413,480
Less: water testing, rental and storage expenses	(42,622)	(74,033)
Net Operating Revenues	387,652	339,447
Operating Expenses		
Water operating expenses	160,609	177,847
Depreciation and amortization	182,435	186,632
General and administrative expenses	128,114	83,570
Total Operating Expenses	471,158	448,049
Non-Operating Income (Expense)		
Property taxes	247,713	270,923
Specific ownership tax	15,601	27,832
Interest income	308	298
Interest expense	(107,152)	(117,633)
Other income	8,711	(1,629)
Grant income		
Grant expense		
Treasurer's fees	(250)	-
Total Non-Operating Income (Expense)	164,931	179,791
Change in Net Position	81,424	71,189
Net Income (Loss)	\$ 81,424	\$ 71,189
Net Position, Beginning of Year	1,321,828	1,250,639
Net Position, End of Year	\$ 1,403,252	\$ 1,321,828

An examination of revenues and expenditures in 2018 shows that the District has a decrease in total assets of \$71,247 from \$71,189 in 2017. Cash and net receivables show the District has an increase in current assets for 2018 of \$880,421 from \$780,411 in 2017. It appears that the operating fund failed to generate enough operating revenue to meet operating expenses. The operating income of \$81,424 is net and included is the cost of depreciation and amortization expense. The Statement of Revenues, Expenses and Changes in Net Position on the financials shows the detail of the net operating loss and the Statement of Cash Flows shows the cash provided or used from operating activities.

Pinewood Springs Water District Management's Discussion and Analysis

BUDGETARY HIGHLIGHTS

The schedule of revenues and expenses, actual compared to adopted budget, is included in the required supplementary information (submitted separately to the State of Colorado).

CAPITAL ASSETS AND DEBT ACTIVITIES

The District's investment in capital assets as of December 31, 2018 amounted to \$3,477,425 net of accumulated depreciation. More detailed information on the District's capital assets may be found in Note 3 in the Notes to Financial Statements.

The District has \$2,671,941 of long-term debt obligations net of current maturity as of December 31, 2018. 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 constructing 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 an 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.

Pinewood Springs Water District

Statement of Net Position – Proprietary Fund

	<u>December 31,</u>
	<u>2018</u>
Assets	
Current Assets	
Cash and cash equivalents, unrestricted	\$ 163,582
Cash and cash equivalents, restricted	403,483
Accounts receivable	47,685
Property taxes receivable	265,671
Total Current Assets	880,421
Capital assets, net of depreciation	3,132,330
Loan origination costs, net of amortization	30,131
Other Non-Current Assets	
Land and water rights	302,545
Construction-in progress	42,550
Total Non-current Assets	345,096
Total Assets	\$ 4,387,977
Liabilities and Net Position	
Current Liabilities	
Accrued payroll liabilities	\$ -
Current portion of long-term debt	119,337
Current portion of capital lease	-
Accrued interest	54,366
Total Current Liabilities	173,703
Long-Term Liabilities	
Long-term debt, net of current maturities	2,552,604
Total Long-Term Liabilities	2,552,604
Deferred Inflow of Resources	
Property Tax Revenue	258,419
Total Deferred Inflow of Resources	258,419
Total Liabilities and Deferred Inflows of Resources	2,984,726
Net Position	
Net position	1,403,252
Total Net Position	1,403,252
Total Liabilities and Net Position	\$ 4,387,977

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

Pinewood Springs Water District

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund

	For the Year Ended December 31, <u>2018</u>
Revenues	
Water sales	\$ 430,273
Less: water testing, rental and storage expenses	(42,622)
Net Operating Revenues	<u>387,652</u>
Operating Expenses	
Water operating expenses	160,609
Depreciation and amortization	182,435
General and administrative expenses	128,114
Total Operating Expenses	<u>471,158</u>
Non-Operating Income (Expense)	
Property taxes	247,713
Specific ownership tax	15,601
Interest income	308
Interest expense	(107,152)
Other income	8,711
Grant income	
Grant expense	
Treasurer's fees	(250)
Total Non-Operating Income (Expense)	<u>164,931</u>
Change in Net Position	<u>81,424</u>
Net Income (Loss)	\$ 81,424
Net Position, Beginning of Year	<u>1,321,828</u>
Net Position, End of Year	<u>\$ 1,403,252</u>

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

Pinewood Springs Water District

Statement of Cash Flows – Proprietary Fund

For the Year
Ended
December 31,

2018

Cash Flows From Operating Activities

Change in net assets \$ 81,424

Adjustments to reconcile net income to net cash used in operating activities:

Depreciation and Amortization 178,379

Changes in Assets and Liabilities:

Restricted cash (43,951)

Receivables 57,497

Accrued expenses (1,736)

Deferred revenue (35,977)

Net cash provided by (used in) operating activities 235,635

Cash Flows from Investing Activities

Purchases of capital assets (7,121)

Net cash provided by (used in) investing activities (7,121)

Cash Flows from Financing Activities

Payments on long-term debt (114,957)

Payments on capital lease -

Net cash provided by (used in) financing activities (114,957)

Net change in unrestricted cash and cash equivalents 113,556

Cash and cash equivalents, unrestricted, beginning of year 50,026

Cash and cash equivalents, unrestricted, end of year \$ 163,582

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

Pinewood Springs Water District

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

This summary of Pinewood Springs Water District's significant accounting policies is intended 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 ASC Standards, 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 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.

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.

These notes are an integral part of the preceding financial statements.

Pinewood Springs Water District

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (continued)

Amortization. Loan origination fees are amortized over the related debt term on the straight-line method. Amortization of these costs totaled \$2,028 for the year ending December 31, 2018.

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.

Property, Plant, and Equipment. Capitalized assets are defined by the District as assets that have a useful life of one or more years, and 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:

Asset Class	Useful Life (Years)
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 Position. Net Position represents the difference between assets and liabilities. Net Position 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 Position are reported as restricted when there are limitations imposed on their use

These notes are an integral part of the preceding financial statements.

Pinewood Springs Water District

Notes to the Financial Statements

either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Note 1: Summary of Significant Accounting Policies (concluded)

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. In accordance with the State Budget Law, the District's Board of Directors hold public hearings in the fall of each year to approve and adopt the budget for the ensuing year. The annual budget that was prepared, adopted and submitted to the State of Colorado in December 2018 (submitted separately) and was compared to actual numbers shown on this report. 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.

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.

At December 31, 2018 the District's cash deposits had a bank balance and a carrying balance as follows:

	2017	
	Carrying Balance	Bank Balance
Insured deposits	\$ 163,582	\$ 155,186
Deposits collateralized in single institution pools	403,483	403,483
	<u>\$ 567,064</u>	<u>\$ 558,669</u>

During 2018 the District invested in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1. COLOTRUST is comprised of two funds: PRIME and PLUS+ which can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. PRIME carries an AAAM rating from Standard and Poor's. PLUS+ holds a AAA rating from all three rating agencies: Standard and Poor's

These notes are an integral part of the preceding financial statements.

Pinewood Springs Water District

Notes to the Financial Statements

(AAAm), Fitch (AAA/V1+), and Moody's (Aaa). A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The COLOTRUST issues a publicly available financial report that includes financial statements. This report may be obtained at their website www.colotrust.com.

Note 3 – Property, Plant and Equipment

Capital asset balances and activities for the year ended December 31, 2018 was as follows:

	December 31, 2018
Equipment	\$ 133,600
Filtration plant	398,051
Water system	1,331,862
Vehicles	61,348
Reservoir	4,022,719
Other capital assets, original cost	5,947,580
Accumulated depreciation	(2,815,251)
Other capital assets, net	3,132,330
Land and water rights	302,545
Construction in progress	42,550
Total Property, Plant and Equipment	<u>\$ 3,477,425</u>

Depreciation expense totaled \$182,435 for the year ended December 31, 2018.

Note 4 – Construction in Progress

Construction in progress includes an amount of \$25,000 related to the consulting research done on constructing a water line to Crescent Lake. No future commitments to complete this line have been made as of the date of the Auditors' Report. An additional amount of \$17,550 was expended in 2012 for the aeration project. Due to the flood damages and repair efforts in past years, no further expenditures have taken place for this project, leaving the balance at \$42,550 for the year ended December 31, 2018.

Note 5 – Long Term Debt Obligations

\$500,000 General Obligation Water Bonds, Series, 1998. The bond is dated March 1, 1998, bears interest of 4.25% to 5.8%, and is 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. Future payments are as follows:

	Principal	Retirement	Interest	Balance
2014-2017	75000	75000	4336	0
2018	0		0	0
Total	<u>\$ 0</u>		<u>\$ 0</u>	<u>\$ 0</u>

This bond was paid in full during the year ended December 31, 2018

These notes are an integral part of the preceding financial statements.

Pinewood Springs Water District

Notes to the Financial Statements

\$123,200 Drinking Water Revolving Fund Loan. The loan is dated July 26, 2004 from the Colorado Water Resources and Power Development Authority to fund a water filtration plant. The loan bears an annual interest rate of 3.5%, with payments due semi-annually on June 1 and December 1, and terminating on 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 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, 2018 the District was in compliance with this covenant. Principal and Interest payment for 2018 and future payments are reflected as follows on this statement are as follows:

	Principal	Interest	Due within one year
2018	\$6,818	\$1,799	\$8,617
Total	\$6,818	\$1,799	\$8,617

	Principal Balance	Interest	Total
2019-2024	46,272	5,421	51,693
Total	\$ 46,272	\$ 5,421	\$ 51,693

\$752,425 Drinking Water Revolving Fund Loan. The 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 bears an annual interest rate of 3.5% and payments are 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, 2018 the District was in compliance with this covenant. Principal and Interest payment for 2018 reflected on this statement and future payments are as follows:

	Principal Payment	Interest	Due within one year
2018	\$39,529	\$13,099	\$52,628
Total	\$39,529	\$13,099	\$52,268

	Principal Payments	Interest	Total
2019-2025	318,663		368,374
2026-2030	25,861	453	26,314
	\$ 344,524	\$ 50,164	\$ 394,688

\$2,811,689 Colorado Water Conservation Board Loan. The loan is dated February 1, 2005 from the Colorado Water Conservation Board ("CWCB") to fund the completion of a new storage reservoir, pump stations, new water pipelines and other system components, and to purchase water rights. The CWCB

These notes are an integral part of the preceding financial statements.

Pinewood Springs Water District

Notes to the Financial Statements

will pay the District for eligible project costs on a periodic basis. The loan bears 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 was first 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, or \$16,260, annually for the first ten years of repayment beginning on the due date of its first annual, May 1, 2010. At December 31, 2018 the District was in compliance with this covenant. Payments made during the year ended December 31, 2018 and future payments are as follows:

	Principal Payment	Interest	Due within one year
2018	\$39,529	\$13,099	\$52,628
Total	<u>\$39,529</u>	<u>\$13,099</u>	<u>\$52,268</u>

	Principal	Interest	Total
2019-2025	563,578	574,623	1,138,201
2026-2030	508,580	304,422	813,002
2031-2035	618,765	194,236	813,001
2036-2040	590,222	60,179	650,401
	<u>\$ 2,281,145</u>	<u>\$ 1,133,460</u>	<u>\$ 3,414,605</u>

Note 5 – Long Term Debt Obligations (concluded)

Aggregate principal and interest on outstanding long-term debt at December 31, 2018 is as follows:

	Principal	Interest	Total
2019-2025	928,513	7629,755	1,558,268
2026-2030	534,441	304,875	839,316
2031-2035	618,765	194,236	813,001
2036-2040	590,222	60,179	650,401
	<u>\$ 2,671,941</u>	<u>\$ 1,189,045</u>	<u>\$ 3,860,986</u>

Note 6 – Subsequent Review

The District has evaluated all other subsequent events through the date these financial statements were available to be issued and found no material events requiring additional disclosure.

These notes are an integral part of the preceding financial statements.