PINEWOOD SPRINGS WATER DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2020

ANDERSON & WHITNEY

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A Professional Corporation of
Certified Public Accountants

Independent Auditors' Report

Board of Directors
Pinewood Springs Water District
Lyons, Colorado

We have audited the accompanying basic financial statements of the Pinewood Springs Water District as of December 31, 2020, and for the year then ended, and the notes to the financial statements, as listed in the table of contents.

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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pinewood Springs Water District as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule on page 17 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Accounting principles generally accepted in the United States require that management discussion and analysis 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, 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 inquires, 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 evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

September 28, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This is an analysis and overview of the financial activities of the Pinewood Springs Water District (the District) for the year ended December 31, 2020. This information should be read in conjunction with the financial statements and notes which follow:

FINANCIAL HIGHLIGHTS

- As of December 31, 2020, $1,452,007 was held in net position for the provision of future services to citizens.
- For fiscal year 2020, the total net position increased by $11,821 or 2% from 2019. This was primarily from operations.
- Operating revenue for 2020 totaled $391,999, which is an decrease of 3% from 2019. This was primarily due to a decrease in service fees.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the District's financial statements which follow. The statements include:

1. Statement of Net Position
2. Statement of Revenue, Expenses, and Changes in Net Position
3. Statement of Cash Flows
4. Notes to Financial Statements.

Statement of revenue, expenses, and changes in net position present the District revenue and expenses for the year ended December 31, 2020.

Statement of cash flows show the net cash flows from activities for the year ended December 31, 2020.

These statements are in compliance with Governmental Accounting Standards Board (GASB) Statements. These pronouncements address the requirements for financial statement presentation and certain disclosures for state and local governmental entities. The District's financial statements comply with all material requirements of these pronouncements.

These statements provide a snapshot of the District's assets and liabilities as of December 31, 2020 and the activities which occurred during the year. All statements were prepared using the accrual basis of accounting as required by GASB.

Notes to financial statements provide additional information which is essential to a full understanding of the basic financial statements.

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FINANCIAL ANALYSIS

As of December 31, the District's net position was:

December 31		2020		2019
Cash	$	126,914	$	54,327
Property taxes receivable		219,012		228,411
Receivables, net		88,414		66,312
Capital Assets, net		3,174,887		3,332,784
Other assets		554,319		594,042
Total Assets		4,163,546		4,275,876
Less Liabilities and Deferred Inflows		2,711,539		2,835,690
Net Position	$	1,452,007	$	1,440,186

The following is a comparison of the District's results of operations:

Years Ended December 31		2020		2019
Revenues:				
Water sales	$	283,898	$	373,168
Other income		112,727		32,755
Property taxes		244,623		265,847
Total Revenues		641,248		671,770
Expenses:				
Operating expenses:				
Water operating		162,572		236,171
Depreciation		174,257		178,334
Interest		99,959		104,507
General and administrative		192,639		115,824
Total Expenses		629,427		634,836
Net Income	$	11,821	$	36,934

Net position has changed due to the following:

- During 2020, operating revenue decreased approximately 3 %, due to less water usage.
- During 2020, total expenses decreased by 1%.

CAPITAL ASSETS

Capital Assets. The District's investment in capital assets for its business type activities as of December 31, 2020, totals $ 3,174,881 (net of accumulated depreciation). This investment includes all land, buildings, vehicles, and equipment. The total decrease in capital assets for the current year was $157,897, due to depreciation expense.

The District implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land and water rights which are not depreciated. Additional information on the District's capital assets can be found in Note 3 of this report.

DEBT

Long-term Debt. At December 31, 2020, the District had $2,428,717 of water loans payable, funded by service charges and property taxes.

Additional information on the District's debt can be found in Note 4.

REQUESTS FOR INFORMATION

This discussion and analysis is designed to provide a general overview of the District's activities for the year ended December 31, 2020. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Pinewood Springs Water District, 183 Cree Court, Lyons, CO 80540.

PINEWOOD SPRINGS WATER DISTRICT

STATEMENT OF NET POSITION

December 31	2020
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 126,914
Accounts receivable	88,414
Property taxes receivable	219,012
Total Current Assets	434,340
Capital Assets:	
Land and water rights	306,171
Construction in progress	42,550
Other capital assets, net of accumulated depreciation	2,826,166
Total Capital Assets	3,174,887
Other Assets:	
Investments - restricted	515,502
Prepaid items	12,742
Debt issuance costs	26,075
Total Other Assets	554,319
TOTAL ASSETS	$ 4,163,546
LIABILITIES	
Current Liabilities:	
Accounts payable	$ 14,470
Accrued interest	43,567
Current portion of long-term debt	128,608
Total Current Liabilities	186,645
Long-Term Liabilities:	
Loans payable	2,300,109
TOTAL LIABILITIES	2,486,754
DEFERRED INFLOWS OF RESOURCES	
Deferred property taxes	224,785
NET POSITION	
Net investment in capital assets	746,170
Unrestricted net position	705,837
TOTAL NET POSITION	$ 1,452,007

See Accompanying Notes to Financial Statements.

PINEWOOD SPRINGS WATER DISTRICT

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31	2020
Operating Revenue:	
Water billings	$ 283,898
System improvement fees	108,101
Total Operating Revenue	391,999
Operating Expenses:	
Administration	192,639
Water operating expenses	336,829
Total Operating Expenses	529,468
Operating gain	(137,469)
Non-operating Revenue (Expenses):	
Property taxes	244,623
Interest income	4,626
Interest expense	(99,959)
Net Non-operating expenses	149,290
Income Before Contributions	11,821
Capital contributions	-
Change in Net Position	11,821
Net Position, Beginning of Year	1,440,186
Net Position, End of Year	$ 1,452,007

See Accompanying Notes to Financial Statements.

PINEWOOD SPRINGS WATER DISTRICT

STATEMENT OF CASH FLOWS

Year Ended December 31	2020
Cash Flows from Operating Activities:	
Cash receipts from customers	$ 369,897
Payments to suppliers and employees	(348,955)
Net Cash Provided by Operating Activities	20,942
Cash Flows from Capital and Related Financing Activities:	
Payments on debt	(220,143)
Acquisition of property, plant and equipment	(14,332)
Net Cash Used by Capital and Related Financing Activities	(234,475)
Cash Flows from Noncapital Financing Activities:	
Change in property tax receivable	-
Property taxes	243,144
Net Cash Provided by Noncapital Financing Activities	243,144
Cash Flows from Investing Activities:	
Interest and dividends received	4,626
Sale of investments	38,350
Net Cash Flows from Investing Activities	42,976
Net Increase in Cash and Cash Equivalents	72,587
Cash and Cash Equivalents, Beginning of Year	54,327
Cash and Cash Equivalents, End of Year	$ 126,914

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	$ (137,469)
Depreciation and amortization	174,257
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(22,102)
Prepaid items	(655)
Increase (decrease) in:	
Accounts payable and accrued expenses	6,911
Net Cash Provided by Operating Activities	$ 20,942

See Accompanying Notes to Financial Statements.

NOTE 1 – Summary of Significant Accounting Policies:

This summary of the 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 is an independent governmental entity organized om April 19, 1978, under the provisions of the Colorado Revised Statutes. The District's Board of Directors is elected by property owners of the District and has the responsibilities for designation of management, operational decisions, and budget matters. The District is fully responsible for its financial matters and is not financially interdependent with another governmental unit. Revenues are derived by service charges determined by the Board. The District exists for the benefit of its residents and services of the District are generally available to the residents of the District.

Scope of Reporting Entity:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (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.

Financial 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.

Based on the criteria mentioned above, no other entities are considered to be component units of the District, nor is the District a component unit of any other governmental entity.

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Basis of Accounting:

The District currently operates as an "Enterprise Fund" as prescribed in governmental accounting standards 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 accrual basis of accounting is utilized for its operations. The District does not use encumbrance accounting.

The Enterprise Fund is accounted for on a cost of services "capital maintenance" measurement focus. Under this concept, all assets and all liabilities (whether current or noncurrent) associated with the activity are reported on the balance sheet. The reported fund equity (net position) is segregated into net investment in capital and unrestricted components. The proprietary fund type operation statement reports increases (revenues) and decreases (expenses) in net position.

Enterprise funds distinguish *operating* revenues from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are water charges and related services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash Equivalents:

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

Capital Assets:

Capital assets purchased or acquired with an original cost of $5,000 or more are stated at cost except for property received by donation or contribution, which is stated at its estimated fair market value at the time it is received by the District. The cost of maintenance and repairs is charged against income as incurred; significant renewals, betterments, and improvements are capitalized.

Depreciation has been computed using the straight-line method based on lives of 30 to 50 years for the treatment plant and distribution lines and 5 to 10 years for service equipment.

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: deferred property taxes.

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 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.

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Budgets:

Colorado state law requires the adoption of an annual budget. Appropriations lapse at the end of each year. The budget and related appropriations are prepared on the budgetary basis, which differs from accounting principles generally accepted in the United States, in that:

* Capital outlays are budgeted as expenses.
* Depreciation is not budgeted.
* Loan principal reduction is budgeted as an expense.

The District's Board of Directors adopts total budget appropriations for each of its funds. This is normally done in December of each year when notice is published in local newspapers and the proposed budget is held open for inspection by the taxpayers and a public hearing is held. The Board may transfer budget amounts between departments within any fund; however, any revision that alters the total appropriation of any fund requires that a budget revision be adopted by resolution in the same manner described above for adoption of the original budget. The level of budgetary responsibility is by total fund appropriations.

NOTE 2 – Cash and Investments:

The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the Authority's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

Credit Risk- The District does not have specific policy regarding credit risk, but is required to comply with State of Colorado (State) statutes which specify instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. State statues do not address custodial risk.

NOTE 2 – Cash and Investments – Continued:

At December 31, 2020, the District had invested $515,502 in the Colorado Local 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 valued at the net asset value (NAV) of $1.00. Investments of COLOTRUST consist of bills, notes, and bonds issued by the U.S. Treasury or a government agency, and repurchase agreements secured by such obligations. COLOTRUST is rated AAA by Standard & Poor's. The District's interest is valued at NAV.

Interest Rate Risk- Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The District does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in the statutes. The District has interest rate risk related to its investments in COLOTRUST. At December 31, 2020, COLOTRUST Plus was weighted average maturity of 51 days to reset and 80 days to final maturity. COLOTRUST does not have any unfunded commitments , redemptions restrictions or redemption notice periods.

NOTE 3 – Capital Assets:

	Balance 1/1/20	Additions	Deletions	Balance 12/31/20
Not depreciated:				
Land and water rights	$ 302,545	$ 3,626	$ --	$ 306,171
Construction in progress	42,550	--	--	42,550
Depreciable capital assets:				
Equipment	137,997	--	--	137,997
Collection and distribution system	1,354,722	--	--	1,354,722
Water treatment plant	402,459	3,206	--	405,665
Reservoir	4,022,719	--	--	4,022,719
Vehicles	61,348	7,500	--	68,848
	6,324,340	14,332	--	6,338,672
Less Accumulated Depreciation	2,991,556	172,229	--	3,163,785
Net Capital Assets	$ 3,332,784	$ (157,897)	$ --	$ 3,174,887

NOTE 4 – Water Loans:

December 31	2020
$2,811,689, Series 2005 loan from Colorado Water Conservation Board, due in varying annual installments through 2040, average interest rate at 4.0%. Debt service reserve requirement of $162,600 is held in restricted investments.	$ 2,135,581
$752,425, Series 2006 Colorado Water Resources and Power Development Authority loan, due in annual installments through 2026, at 3.5% interest.	261,231
$123,200, Series 2004, Drinking Water Revolving Loan, due in semi-annual installments through 2024, average interest at 3.5%.	31,905
Total Water Debt	$ 2,428,717

The annual requirements to amortize these loans as of December 31, 2020 are as follows:

Year Ending December 31	Principal	Interest	Total
2021	$ 128,608	$ 95,237	$ 223,845
2022	133,511	90,334	223,845
2023	138,602	85,243	223,845
2024	143,887	79,958	223,845
2025-2029	565,276	326,439	891,715
2030-2035	728,612	246,990	975,602
2036-2040	590,221	60,180	650,401
	$ 2,428,717	$ 984,381	$ 3,413,098

Changes in Enterprise Fund long-term debt during the year were as follows:

	Balance, 1/1/20	Additions	Retirements	Balance, 12/31/20	Due Within One Year
2005 CWCB Loan	$ 2,209,790	$ --	$ 74,209	$ 2,135,581	$ 77,177
2006 CWRPDA Loan	303,600	--	42,369	261,231	43,486
2004 CWRPDA Loan	39,213	--	7,308	31,905	7,945
	$ 2,552,603	$ --	$ 123,886	$ 2,428,717	$ 128,608

NOTE 5 – 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 commitment to complete this line have been made. 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, 2020.

NOTE 6 – Risk Management:

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors and omissions, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization composed of approximately 200 members created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials' liability, and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability and public officials' coverage for claims up to $1,000,000.

NOTE 7 – Commitments and Contingencies:

In 1992, the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from District enterprise activities. The District believes it is in compliance with the requirements of TABOR.

SUPPLEMENTARY INFORMATION

PINEWOOD SPRINGS WATER DISTRICT

Schedule of Revenue and Expenses
Compared with Budget (Non-GAAP Budget Basis)

Year Ended December 31, 2020	Actual	Final Budget	Variance
Revenue:			
Water billings	$ 283,898	$ 264,660	$ 19,238
System improvement fees	108,101	99,660	8,441
Non-operating revenues:			
Property Taxes	244,623	237,845	6,778
Interest income	4,626	2,500	2,126
Total Revenue	641,248	604,665	36,583
Expenses:			
Operating Expenses:			
Payroll	108,925	118,000	9,075
Benefits	10,216	22,500	12,284
Backhoe Repair & Maintenance	3,138	1,400	(1,738)
Repairs and Maintenance	70,646	85,750	15,104
Contract Labor	750	750	-
Supplies and Chemicals	6,205	7,000	795
Utilities	21,753	24,400	2,647
Vehicle	8,952	6,401	(2,551)
Miscellaneous	327	-	(327)
Dues	1,566	3,500	1,934
General and Administrative:			-
Board	5,000	8,500	3,500
Payroll	62,204	51,987	(10,217)
Professional Fees	14,725	17,900	3,175
Legal Fees	327	4,000	3,673
Advertising and promotion	67	500	433
Office	9,178	8,400	(778)
Liability Insurance	12,501	19,000	6,499
Workers Compensation	3,518	-	(3,518)
County Treasurer's Fee	4,565	4,900	335
Other	366	-	(366)
Contract Labor	2,600	2,000	(600)
Travel and Meals	-	600	600
Bank Charges	225	700	475
Dues	3,803	4,000	197
Training	1,713	2,000	287
Miscellaneous	2,632	1,500	(1,132)
Loan Payments	223,845	223,845	-
Capital Expenditures	14,332	21,400	7,068
Total Expenses	594,079	640,933	46,854
REVENUES OVER EXPENSES - BUDGET BASIS	$ 47,169	$ (36,268)	$ 83,437