PINE RIVER IRRIGATION DISTRICT

FINANCIAL STATEMENTS

December 31, 2025



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

PINE RIVER IRRIGATION DISTRICT
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INDEPENDENT AUDITORS' REPORT

Wall, Smith, Bateman Inc.

To the Board of Directors
Pine River Irrigation District
Bayfield, Colorado

Opinions

We have audited the accompanying financial statements of the Pine River Irrigation District (the District), as of and for the year ended, December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of December 31, 2025, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the General Fund budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 08, 2026

PINE RIVER IRRIGATION DISTRICT

BASIC FINANCIAL STATEMENTS

PINE RIVER IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2025

ASSETS		
Current assets		
Cash and cash equivalents	$	299,620
Investments		4,435,807
Accounts receivable (net of allowance for uncollectable accounts of $74,081)		27,534
Contractual reimbursements receivable		172,599
Prepaid expenses		15,144
Total current assets		4,950,704
Non-current assets		
Capital assets, net of accumulated depreciation		350,506
TOTAL ASSETS		5,301,210
LIABILITIES		
Current liabilities		
Accounts payable		76,194
Accrued payroll and related liabilities		26,199
TOTAL LIABILITIES		102,393
NET POSITION		
Net investment in capital assets		350,506
Unrestricted		4,848,311
TOTAL NET POSITION	$	5,198,817

The accompanying notes are an integral part of this financial statement.

PINE RIVER IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended December 31, 2025

OPERATING REVENUES		
Water assessments and exchanges	$	602,980
Recreation income		291,759
Hydro-electric plant fees and other revenues		82,631
Operations and maintenance reimbursements from other entities		46,204
Other operating income		5,333
TOTAL OPERATING REVENUE		1,028,907
OPERATING EXPENSES		
Compensation and benefits		238,407
Recreation expenses, including compensation of $107,024		154,738
Repairs and maintenance		20,481
Deprecation expense		52,898
Hydro-electric plant expenses		28,425
Professional fees		75,703
Dues		13,236
Office supplies		19,218
Insurance		13,348
Utilities		19,187
Equipment and related expenses		5,913
Bad debt expense		2,896
Miscellaneous		7,392
TOTAL OPERATING EXPENSES		651,842
Operating income (loss)		377,065
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings		210,756
Loss on sale of capital assets		-
TOTAL NON-OPERATING REVENUES (EXPENSES)		210,756
Change in net position		587,821
Net position, beginning of year		4,610,996
Net position, end of year	$	5,198,817

The accompanying notes are an integral part of this financial statement.

PINE RIVER IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
For the year ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITES		
Cash received from customers and contractual reimbursements	$	1,059,049
Cash paid to employees		(353,772)
Cash paid to suppliers		(212,512)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		492,765
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(841,140)
Proceeds from sales and maturities of		350,000
investments Proceeds from sale of capital assets		-
Interest and dividends received		191,248
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		(299,892)
Net increase (decrease) in cash and cash equivalents		192,873
Cash and cash equivalents, beginning of year		106,747
Cash and cash equivalents, end of year	$	299,620
Reconciliation of income (loss) from operation to net cash provided (used) by operating activities		
Operating income	$	377,065
Depreciation expense		52,898
Change in accounts receivable		6,809
Change in contractual reimbursements receivable		23,333
Change in prepaid expenses		5,043
Change in accounts payable		35,958
Change in accrued payroll and related liabilities		(8,341)
Net Cash Provided (Used) by Operating Activities	$	492,765
Noncash investing activities:		
Unrealized gain on investments	$	19,508

The accompanying notes are an integral part of this financial statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the District's significant accounting policies is presented to assist the reader in 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.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as proprietary enterprise funds. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private business enterprise where net income and capital maintenance are appropriate determinations of accountability. The District assesses charges to its constituents for water usage by those constituents.

Reporting Entity

The Pine River Irrigation District was formed in 1937. The District is an independent political subdivision operating under the statutes for special districts of the State of Colorado and has its own elected governing board members.

The District operates and maintains the Vallecito dam and reservoir located in La Plata County, Colorado. The dam and reservoir are owned by the United States Government.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. Based upon these criteria, no entities were found to be includable within the reporting unit of the District.

Proprietary Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including deprecation) of providing goods and services to the general public on a continuing basis be financed or recovered in part through user charges. The District's operations are accounted for as one enterprise fund.

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred. Expenditures for property, plant and equipment are shown as increases in assets.

Budgets and Budgetary Accounting

The District Board follows these procedures in establishing the budget for the year:

- In accordance with State statutes, management submits to the Board of Directors a proposed operating budget for the calendar year commencing January 1. The operating budget includes proposed expenses and the

means to finance them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The state statutes require more detailed line-item budgets be submitted in summary form. In addition, more detailed line-item budgets are included for administrative control. The level of control for budgetary purposes is at the fund level.

- Public hearings are conducted to obtain public comment.
- The budget is legally enacted through passage of a resolution.
- Management is required to present a quarterly report to the Board of Directors explaining any variance from the approved budget.
- State statutes require the adoption of a summary budget for proprietary funds.
- Appropriations lapse at the end of each calendar year.
- The District's Board may authorize supplemental appropriations during the year.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Deposits and Investments

Colorado law authorizes the District to invest in obligations of the United States, State of Colorado, Colorado counties and school districts, repurchase agreements, financial institutions, and local government investments pools. House bill 1056 expanded the list of investments that are legal for local governments.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of prepaid expenses are recorded as expenses when consumed rather than when purchased.

Capital Assets

Capital assets are valued at historical cost.

Depreciation of the District's capital assets is charged to operating expenses over the estimated useful lives of the assets using the straight-line method. Estimated useful lives range from 5-10 years for equipment to 15-39 years for buildings and improvements.

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 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.

Restricted Resources

It is the District's policy to use restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and Deposits

The District's policy in determining which items are treated as cash equivalents include cash, demand deposits, treasury bills, and other short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations of the United States, the State of Colorado, local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. PDPA 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 State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

There is no custodial credit risk for public deposits collateralized under PDPA.

At December 31, 2025, all of the District's deposits were held in eligible depositories as required by PDPA. Accordingly, all deposits are either insured by the Federal Deposit Insurance Corporation (FDIC) or are collateralized as required by PDPA in accordance with state statute. Bank balances before outstanding checks, deposits in transit, and other reconciling items total $161,481 at December 31, 2025. The carrying amount in the financial statements for these deposits is $299,620 at December 31, 2025.

Investments

The District's investment policy requires that, in making investment decisions, the District exercise judgment and care considering the probable income as well as the safety of capital. All investments allowed by Colorado statutes are considered by the District's policy to comply with this standard. This investment policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. governmental agency securities, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, and by the Tennessee Valley Authority, and certain international agency securities, including the World Bank.

- General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies

- Bankers' acceptances of certain banks.
- Certain securities lending agreements
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- The investing local government's own securities including certificates of participation and lease obligations.

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last quoted market price.

Investments held by the District are as of December 31, 2025 is summarized as follows:

	Fair Value	Weighted Average Maturity (Yrs)
Cash awaiting investment	$ 9,138	N/A
COLOTRUST Plus+	3,320,313	N/A
Mortgage-backed securities (GNMA)	1,106,356	24
	$ 4,435,807	

The Colorado Local Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. Plus+ and Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAm by Standard and Poor’s and the EDGE portfolio is rated AAAf/S1 by Fitch Ratings.

COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. Each share of Prime and Plus+ is equal in value to $1.00 and the redemption frequency is daily with no redemption notice period. Edge's net asset value is managed to approximate a $10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than $10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

Investments in local government investment pools are not categorized in terms of custodial credit risk since they are not evidenced by securities that exist in physical or book entry form. There is no interest rate or foreign currency risk exposure.

The Governmental National Mortgage Association (GNMA), a corporation owned by the federal government within the Department of Housing and Urban Development, guarantees mortgage-backed securities held by the District at December 31, 2025. These securities are not separately rated, but are considered to be AA+ credit rated by Standard & Poor's because they are guaranteed by GNMA. These investments are valued at fair value (the price that would be received to sell the investments in an orderly transaction between market participants at December 31, 2025 based on observable inputs, either directly or indirectly (known as Level 2 in the fair value hierarchy).

Risk Disclosures

To minimize custodial credit risk, or the risk that an insurer or other counterparty to an investment will not fulfill its obligations, state law limits District investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers.

The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. District policy places no limit on the amount the District may invest in any one issuer. All District investments are issued by or guaranteed by the U.S. government, or insured by PDPA, or are investments in external investment pools, and therefore are not subject to concentration of credit risk disclosure requirements.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The fair value of mortgage-backed securities is sensitive to changes in interest rates.

The District was not subject to foreign currency risk as of December 31, 2025.

NOTE 3 CAPITAL ASSETS

A summary of changes in capital assets during 2025 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Assets				
Buildings and improvements	$ 490,317	$ -	$ -	$ 490,317
Vehicles and equipment	574,122	-	-	574,122
Total depreciable assets	1,064,439	-	-	1,064,439
Less accumulated depreciation	661,035	52,898	-	713,933
Total capital assets, net	$ 403,404	$ (52,898)	$ -	$ 350,506

NOTE 4 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District has purchased insurance through commercial companies for protection from these risks.

NOTE 5 CONTRACTUAL MATTERS

Ptarmigan Resources and Energy, Inc.

The District provides facility maintenance of a hydroelectric plant owned and operated by Ptarmigan Resources and Energy, Inc. (Ptarmigan). The District is reimbursed 15% of the District's total operating and maintenance costs or $15,000, whichever is less. Ptarmigan also pays the District an hourly labor rate for time worked by District employees at the hydroelectric plant and reimburses fuel costs incurred by the District to maintain the plant. In 2005 this agreement was amended to include an annual CPI based increase in rate for hourly labor services performed and associated retirement match and contribution for those employees. Ptarmigan owed the District $30,646 of reimbursement pursuant to this contract at December 31, 2025.

United States Bureau of Indian Affairs

The Unites States Bureau of Indian Affairs (BIA) reimburses the District for one-sixth of certain operating and capital expenditures related to operation of the reservoir. BIA owed the District $141,953 of reimbursement pursuant to this agreement at December 31, 2025.

NOTE 6 RETIRMENT PLAN

SIMPLE Retirement Plan

The District provides a SIMPLE retirement account plan for eligible District employees. All employees with annual compensation greater than $5,000 are eligible to participate. Participants may elect to voluntarily contribute up to $16,500 of their compensation annually. The District matches participant contributions up to 3% of the participant's compensation. Employee and employer contributions are fully vested. The District's total contribution to the plan for the year ended December 31, 2025 was $2,043.

NOTE 7 TAX, SPENDING, AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including the District.

Some provisions of TABOR are unclear and will require further judicial interpretation. No representation can be made as to the overall impact of TABOR on the future activities of the District, including its ability to generate sufficient revenues for its general operations, to undertake additional programs, or to engage in any subsequent financing activities. TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District believes it has complied with all aspects of the TABOR amendment.

PINE RIVER IRRIGATION DISTRICT

SUPPLEMENTARY INFORMATION

PINE RIVER IRRIGATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (BUDGET AND ACTUAL)
For the year ended December 31, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDEGT POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Water assessments and exchanges	$ 497,430	$ 497,430	$ 602,980	$ 105,550
Recreation income	140,000	140,000	291,759	151,759
Hydro-electric plant fees and other revenues	59,550	59,550	82,631	23,081
Operations and maintenance reimbursements from other entities	43,850	43,850	46,204	2,354
Other operating income	970	970	5,333	4,363
TOTAL REVENUES	741,800	741,800	1,028,907	287,107
EXPENDITURES				
Compensation and benefits	250,585	250,585	238,407	12,178
Recreation expenses	174,700	174,700	154,738	19,962
Repairs and maintenance	64,900	64,900	20,481	44,419
Deprecation expense	53,596	53,596	52,898	698
Hydro-electric plant expenses	21,750	21,750	28,425	(6,675)
Professional fees	46,300	46,300	75,703	(29,403)
Dues	16,700	16,700	13,236	3,464
Office supplies	15,900	15,900	19,218	(3,318)
Insurance	14,000	14,000	13,348	652
Utilities	20,500	20,500	19,187	1,313
Equipment and related expenses	17,200	17,200	5,913	11,287
Bad debt expense	3,500	3,500	2,896	604
Miscellaneous	8,730	8,730	7,392	1,338
TOTAL EXPENDITURES	708,361	708,361	651,842	56,519
Operating income (loss)	33,439	33,439	377,065	230,588
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	148,000	148,000	210,756	62,756
Loss on sale of capital assets	-	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	148,000	148,000	210,756	62,756
Change in net position	181,439	181,439	587,821	406,382
Net position, beginning of year	-	-	4,610,996	4,610,996
Net position, end of year	$ 181,439	$ 181,439	$ 5,198,817	$ 5,017,378

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

The accompanying notes are an integral part of this financial statement.