

# **Palmer Lake Sanitation District**

**Financial Statements and Supplementary Information  
For the Year Ended December 31, 2025**



Certified Public Accountants

# Palmer Lake Sanitation District

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## **Independent Auditor's Report**

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To the Board of Directors  
Palmer Lake Sanitation District

### **Opinion**

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

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

### **Basis for Opinion**

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Palmer Lake Sanitation 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 the 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 Palmer Lake Sanitation 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.



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## **Independent Auditor's Report**

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### **Auditor's 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 auditor's 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 Palmer Lake Sanitation 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 evaluate 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 Palmer Lake Sanitation 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.



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## **Independent Auditor's Report**

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### **Required Supplementary Information**

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 4-7 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 Governmental Auditing Standards Board (GASB), who considers it to be an essential part of the 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 provided 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 an opinion on the financial statements that collectively comprise the Palmer Lake Sanitation District's basic financial statements. The Schedule of Revenues, Expenses, and Change in Net Position - Budget to Actual on page 21 provides 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Olson, Reyes & Sauerwein, LLC  
Centennial, Colorado  
May 13, 2026

# Palmer Lake Sanitation District

## Management's Discussion and Analysis

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Palmer Lake Sanitation District's (the "District") management discussion and analysis (MD&A) is generally intended to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the District's financial activities, (3) identify changes in the District's financial position (its ability to meet future financial demands and conditions), (4) identify any material deviations from the governmental unit's financial plan (approved budget), and (5) identify individual fund issues or concerns. The MD&A is provided at the beginning of the report to provide an overview of the District's financial position at December 31, 2025 and 2024, and the results of operations for the years then ended. This summary should not be taken as a replacement for the audit report, which consists of the basic financial statements, notes to the financial statements, and required supplementary information.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's basic financial statements.

### Overview of the Financial Statements

The basic financial statements of the District are presented as a special purpose government engaged only in business type activities providing sanitary sewer utility services.

*The Statement of Net Position* presents information on all of the District's assets deferred outflows, liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

*The Statement of Revenues, Expenses and Change in Net Position* represents information which reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

*The Statement of Cash Flows* reports the District's cash flows from operating, non-capital financing, capital and related financing, and investing activities.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, this report presents certain supplementary information concerning the District's budgetary comparisons presented for additional analysis.

# Palmer Lake Sanitation District

## Management's Discussion and Analysis

### Condensed Statements of Net Position

<i>As of December 31,</i>	2025	2024
Current Assets	\$ 4,181,419	\$ 4,081,116
Capital Assets - Net	5,102,096	5,283,651
Other Assets	18,140	18,085
Investment in Joint Use Facility	2,243,568	2,112,075
<b>Total Assets</b>	<b>\$ 11,545,223</b>	<b>\$ 11,494,927</b>
Current Liabilities	\$ 205,450	\$ 140,334
Long-term Liabilities	2,733,235	2,809,870
<b>Total Liabilities</b>	<b>2,938,685</b>	<b>2,950,204</b>
Net Position		
Invested in Capital Assets - Net of Related Debt	2,292,226	2,398,842
Restricted	27,307	27,307
Unrestricted	6,287,005	6,118,574
<b>Total Net Position</b>	<b>8,606,538</b>	<b>8,544,723</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 11,545,223</b>	<b>\$ 11,494,927</b>

The District's total assets increased by approximately \$51,000 from 2024 to 2025. Current assets consist primarily of cash which accounts for approximately \$4.1 million of the District's current assets.

In 2025, the District replaced the roof of the office building for approximately \$22,000. The cost of the roof is included in capital assets. The District did not dispose of any capital assets in 2025.

The District has a 1/3rd ownership in the Tri-Lakes Wastewater Facility which operates as a joint venture under the Amended Joint Use Facilities Agreement dated June 6, 1996. The Facility provides wastewater treatment to the District and two neighboring districts. The investment is recorded using the equity method.

The District's liabilities reduced by approximately \$12,000 from 2024 to 2025. Current liabilities increased approximately \$65,000 due to increased payables due to the Tri-Lakes Wastewater Facility. Long-term liabilities declined approximately \$77,000 resulting from payments made against outstanding debt.

The net position may serve over time as a useful indicator of the District's financial position. Net position increased by approximately \$62,000 from 2024 to 2025.

# Palmer Lake Sanitation District

## Management's Discussion and Analysis

### Condensed Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended December 31,</i>	2025	2024
<b>Operating Revenues</b>	\$ 904,481	\$ 911,502
<b>Operating Expenses</b>	1,186,961	1,010,791
<b>Operating (Loss)</b>	(282,480)	(99,289)
<b>Non-Operating Revenues</b>	285,090	143,138
<b>Income Before Capital Contributions</b>	2,610	43,849
<b>Capital Contributions - Tap Fees</b>	59,205	52,255
<b>Change in Net Position</b>	\$ 61,815	\$ 96,104

Operating revenues of the District were comparable year-over-year. There were no significant changes in users and no changes in user fees charged. The District holds various cash and money market funds which generate as much as 4% interest. This interest income represents nearly all of the non-operating revenues.

Operating expenses of the District increased by approximately \$176,000 from 2024 to 2025. The majority of this increase is due to increased costs related to the Tri-Lakes Wastewater Facility, including sludge removal, which were approximately \$536,000 for 2025, an increase of approximately \$225,000 year-over-year. Personnel costs declined approximately \$20,000 year-over-year and repairs and maintenance declined approximately \$19,000 year-over-year.

### Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect “funds available.”

The total budgeted revenue of the District was greater than actual revenues by approximately \$289,000. Commercial user fees were below budget by approximately \$31,000. Interest income was higher than budget by approximately \$78,000 and tap fees exceeded budget by approximately \$29,000. The District included a \$366,500 budget for internal transfers from reserves for capital expenditure; however, no transfers were necessary due to minimal capital expenditures being made and actual expenditures being below budget.

Total expenditures were under budget by approximately \$326,000. Administrative costs were under budget by approximately \$86,000 primarily due to engineering and legal expenses being below budget. Maintenance costs were below budget by approximately \$51,000 primarily due to line repairs and sewer cleaning being under budget by approximately \$19,000. Wages, taxes, and benefits were below budget by approximately \$31,000 due to reductions in hourly staff in 2025 compared to 2024. Sewage treatment plant costs were under budget by \$135,000 due to expected upgrades at the Tri-Lakes Wastewater Treatment Facility.

# Palmer Lake Sanitation District

## Management's Discussion and Analysis

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### Capital Asset and Debt Administration

#### *Capital Assets*

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	2025	2024
Land and building	\$ 426,866	\$ 404,598
Sewer system	6,491,250	6,491,201
Equipment and vehicles	106,770	106,770
<b>Total Capital Assets</b>	<b>\$ 7,024,886</b>	<b>\$ 7,002,569</b>
<b>Less: accumulated depreciation</b>	<b>1,922,790</b>	<b>1,718,918</b>
<b>Capital Assets - Net</b>	<b>\$ 5,102,096</b>	<b>\$ 5,283,651</b>

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The District's investment in capital assets at December 31, 2025 were approximately \$5.1 million (net of accumulated depreciation). This investment in capital assets includes sewer system, the office building and related land costs, equipment and vehicles. In 2025 the District incurred approximately \$22,000 to replace the roof of the office building. The District incurred no capital expenditures in 2024, and there were no disposals in either year.

#### *Requests for Information*

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Palmer Lake Sanitation District Board of Directors, PO Box 687, Palmer Lake, CO 80133.

# Palmer Lake Sanitation District

## Statement of Net Position

December 31, 2025

	2025
<b>Current Assets</b>	
Cash and cash equivalents	\$ 4,111,536
Accounts receivable	55,947
Prepaid expenses	13,936
<b>Total Current Assets</b>	<b>4,181,419</b>
<b>Capital Assets</b>	
Sewer system	6,491,250
Land and building	426,866
Office equipment	55,543
Equipment and tools	24,727
Vehicles	26,500
	7,024,886
Less: accumulated depreciation	(1,922,790)
<b>Capital Assets - Net</b>	<b>5,102,096</b>
<b>Other Non-Current Assets</b>	
Investment in joint use facility	2,243,568
Other assets	18,140
<b>Total Other Non-Current Assets</b>	<b>2,261,708</b>
<b>TOTAL ASSETS</b>	<b>\$ 11,545,223</b>
<b>Current Liabilities</b>	
Accounts payable	\$ 86,500
Accrued liabilities	42,315
Note payable - due within one year	76,635
<b>Total Current Liabilities</b>	<b>205,450</b>
<b>Non-Current Liabilities</b>	
Note payable - due after one year	2,733,235
<b>Total Liabilities</b>	<b>2,938,685</b>
<b>Net Position</b>	
Invested in capital assets - net of related debt	2,292,226
Restricted	27,307
Unrestricted	6,287,005
<b>Total Net Position</b>	<b>8,606,538</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 11,545,223</b>

See Notes to Financial Statements

# Palmer Lake Sanitation District

## Statement of Revenues, Expenses and Change in Net Position

For the Year Ended December 31, 2025

	2025
<b>Operating Revenues</b>	
User fees	\$ 904,481
<b>Operating Expenses</b>	
Depreciation	203,822
Engineering fees	7,571
Insurance	12,357
Interest	64,489
Office and other expenses	54,841
Payroll taxes and employee benefits	40,279
Professional fees	47,372
Repairs and maintenance	8,775
Salaries	174,528
Sanitary sewer cleaning and video	36,640
Sewage treatment - joint use facility	457,076
Sludge removal	79,211
<b>Total Operating Expenses</b>	1,186,961
<b>(Loss) From Operations</b>	(282,480)
<b>Non-Operating Revenues</b>	
Interest income	153,597
Gain from investment in joint use facility	131,493
<b>Non-Operating Revenues</b>	285,090
<b>Income Before Capital Contributions</b>	2,610
<b>Capital Contributions - Tap Fees</b>	59,205
<b>Change in Net Position</b>	61,815
<b>Net Position - Beginning of Year</b>	8,544,723
<b>NET POSITION - END OF YEAR</b>	<b>\$ 8,606,538</b>

See Notes to Financial Statements

# Palmer Lake Sanitation District

## Statement of Cash Flows

For the Year Ended December 31, 2025

	2025
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 912,597
Cash payments to suppliers for goods and services	(642,967)
Cash payments to employees for services	(211,895)
Cash paid for interest	(64,489)
<b>Net Cash Flows from Operating Activities</b>	<b>(6,754)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions - sewer tap fees	59,205
(Payments) on note payable	(74,939)
(Purchase) of capital assets	(22,271)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<b>(38,005)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	153,597
<b>Change in Cash and Cash Equivalents</b>	<b>108,838</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>4,002,698</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 4,111,536</b>
<b>Reconciliation of Operating (Loss) to Net Cash From Operating Activities:</b>	
(Loss) from operations	\$ (282,480)
Depreciation	203,822
<b>Changes in Assets and Liabilities</b>	
Accounts receivable	8,118
Prepaid expenses	363
Accounts payable	60,511
Accrued liabilities	2,912
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ (6,754)</b>

See Notes to Financial Statements

# Palmer Lake Sanitation District

## Notes to the Financial Statements

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### Note 1 - Significant Accounting Policies

#### Introduction

The financial statements of the Palmer Lake Sanitation District (the "District") have been prepared in accordance 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. The significant accounting principles and policies utilized by the District are described below.

#### Reporting Entity

The District is a sanitation district established on October 29, 1971 and is governed pursuant to the provisions of the Colorado Special District Act. The District provides public sanitary sewer services to the residents of Palmer Lake, Colorado.

The District follows 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.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District has no component units and is not financially accountable for any other organizations.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The District's fund is classified as a proprietary fund type, specifically an enterprise 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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The District's records are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# Palmer Lake Sanitation District

## Notes to the Financial Statements

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### Note 1 - Significant Accounting Policies (continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include 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 District's policy to use restricted resources first and unrestricted resources as they are needed.

#### Budgets

Budgets are adopted on a non-GAAP basis for the funds. In accordance with the State Budget Law, the District's Board of Directors holds public hearing in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. Encumbrance accounting (open purchase orders and other commitments for the expenditures of funds in future periods) is not used by the District for financial reporting purposes, but is used for budgetary purposes.

#### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from the estimates.

#### Financial Instruments

The District's financial instruments include cash and cash equivalents, receivables, accounts payable, and short-term borrowings. The fair value of these financial instruments approximates their carrying amounts based on current market indicators such as prevailing interest rates and/or their nearness to maturity.

#### Cash Equivalents

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

#### Accounts Receivable

Accounts receivable consists primarily of sewer user fees which are billed monthly. No provision is made for uncollectible accounts as the District has tax lien authority against the specific properties for collection of amounts due.

# Palmer Lake Sanitation District

## Notes to the Financial Statements

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### Note 1 - Significant Accounting Policies (continued)

#### Capital Assets

Capital assets are recorded at historical cost. The cost of maintenance and repairs, as well as minor replacements and improvements, is charged against income as incurred. Depreciation is provided on the straight-line basis over the estimated useful life of the property as follows:

Collection System	7 - 40 years
Vehicles and Equipment	5 - 10 years
Building	15 - 40 years

#### Investment in Joint Use Facility

The District holds a 33.33% interest in the Tri-Lakes Wastewater Facility (TLWWTF) and accounts for its investment in the facility using the equity method.

#### Capital Contributions from Developers

Developers of new subdivisions within the District are required to construct the necessary sewer lines in accordance with District specifications. The District charges a tap fee for collections in the new subdivisions. The amount of tap fees to be retained by the District is recorded as a capital contribution.

#### Net Position

The financial statements utilize a net position presentation. Net position is categorized into three components: Invested in capital assets- net of related debt, restricted net position, and unrestricted net position.

- **Invested in Capital Assets - Net of Related Debt.** This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position.** This component of net position consists of liquid assets which have third-party limitations on their use.
- **Unrestricted Net Position.** This component consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

# Palmer Lake Sanitation District

## Notes to the Financial Statements

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### Note 1 - Significant Accounting Policies (continued)

#### Upcoming Accounting Pronouncements

In April 2024, the Government Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirement or modifies existing requirements, related to the following: management’s discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the District’s financial statements for the year ending December 31, 2026.

#### Subsequent Events

In preparing its financial statements, the District has evaluated subsequent events through May 13, 2026, which is date the financial statements were available to be issued. Management of the District has not identified any material subsequent events that require reporting or disclosure.

### Note 2 - Cash and Cash Equivalents

At December 31, 2025, the District’s cash and cash equivalents consisted of the following:

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	2025
Cash on hand	\$ 200
Deposits with financial institutions	1,073,225
Money market mutual funds	3,038,111
	<u>\$ 4,111,536</u>

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# Palmer Lake Sanitation District

## Notes to the Financial Statements

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### Note 2 - Cash and Cash Equivalents (continued)

#### Custodial Credit Risk

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. The statute specifies eligible depositories for public cash deposits, which must be Colorado institutions and must maintain Federal insurance (FDIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held-in-trust. The market value of the collateral must be at least equal to the aggregate uninsured deposit. The State Regulatory Commissions for banks and financial services are required by statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2025, none of the District's bank deposits were exposed to credit risk.

#### Concentration of Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. State statutes do not limit the amount the District may invest in one issuer. The District generally limits its investments to those which are believed to have minimal credit or interest rate risk.

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. government agency securities.
- Certain internal and agency securities.
- General obligation and revenue bonds of U.S. local government entities.
- Bankers' acceptances of certain banks.
- Commercial paper.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.
- Local government investment pools.

At December 31, 2025, the District has invested \$3,038,111 in the Government Obligations Tax Managed Fund, which is considered a cash equivalent due to the highly liquid nature of the fund. The fund has an AAA-MF rating per Moody's.

#### Interest Rate Risk

State statute limits investments in agencies to a maximum five-year maturity and corporate bonds to three years. The District does not hold any investments in bonds.

# Palmer Lake Sanitation District

## Notes to the Financial Statements

### Note 3 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2025, were as follows:

	Balance January 1, 2025	Additions	Retirements	Balance December 31, 2025
Sewer system	\$ 6,491,201	\$ -	\$ -	\$ 6,491,201
Land and building	404,598	22,221	-	426,819
Office equipment	55,543	-	-	55,543
Equipment and tools	24,727	-	-	24,727
Vehicles	26,500	-	-	26,500
	<b>\$ 7,002,569</b>	<b>\$ 22,221</b>	<b>\$ -</b>	<b>\$ 7,024,790</b>
<b>Accumulated Depreciation</b>				
Sewer system	\$ 1,438,051	\$ 195,349	\$ -	\$ 1,633,400
Building	174,147	8,473	-	182,620
Office equipment	55,543	-	-	55,543
Equipment and tools	24,727	-	-	24,727
Vehicles	26,500	-	-	26,500
	<b>\$ 1,718,968</b>	<b>\$ 203,822</b>	<b>\$ -</b>	<b>\$ 1,922,790</b>
Capital Assets, Net	<b>\$ 5,283,601</b>	<b>\$ (181,601)</b>	<b>\$ -</b>	<b>\$ 5,102,000</b>

Depreciation expense for the year ended December 31, 2025 was \$203,822.

### Note 4 - Investment in Joint Use Facility

The District, the Woodmoor Water and Sanitation District #1 (“Woodmoor”), and the Monument Sanitation District (“Monument”) provide wastewater treatment at the Tri-Lakes Wastewater Facility (“TLWWTF”), which is operated as a joint venture under the Amended Joint Use Agreement dated June 6, 1996. The TLWWTF assets and liabilities are commonly owned by each district in equal, undivided one-third interests. The audited financial statements of the TLWWTF, are available at the treatment facility. TLWWTF manages the facility, as directed by a three-member board of directors, comprised of one director and an alternate appointed from each district.

The District uses the equity method to record its share of joint use facility transactions. At December 31, 2025, the District’s ownership interest in TLWWTF reflected in the Statement of Net Position as investment in joint use facility was \$2,243,568. The District’s share of the change in net position of TLWWTF for the year ended December 31, 2025, reflected in the Statement of Revenues, Expenses, and Change in Net Position as gain from investment in joint use facility, was \$131,493.

# Palmer Lake Sanitation District

## Notes to the Financial Statements

### Note 4 - Investment in Joint Use Facility (continued)

The following reflects a summary of the financial position and results of operation of TLWWTF as of December 31, 2025:

	2025
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Cash and cash equivalents	\$ 222,966
Accounts receivable	291,491
Prepaid expenses	43,354
Capital assets, net of accumulated depreciation	6,801,118
Total Assets	7,358,929
Deferred outflows of resources - related to pensions and OPEB	66,074
Total Assets and Deferred Outflows of Resources	\$ 7,425,003
<b>LIABILITIES, NET POSITION, AND DEFERRED INFLOWS OF RESOURCES</b>	
Accounts payable	266,712
Compensated absences	103,998
Deposits held	59,172
Net pension and OPEB liability	251,027
Total Liabilities	680,909
Total Net Position	6,730,703
Deferred inflows of resources - related to pensions and OPEB	13,391
Total Liabilities, Net Position and Deferred Inflows of Resources	\$ 7,425,003

The following reflects the results of operation of TLWWTF for the year ended December 31, 2025:

	2025
Operating revenue	\$ 2,297,433
Operating (expenses)	(1,886,811)
Non-operating (loss)	(16,143)
Change in Net Position	\$ 394,479

Capital outlays of the joint use facility are assessed equally to each district. Operating expenses for the joint use facility are allocated to the respective districts based on various factors.

Monthly billings from the joint use facility, which cover both operating expenses and other assessments, are expensed by the District. For the year ended December 31, 2025, the District incurred \$536,287 of operating and sludge removal expenses from the TLWWTF. As of December 31, 2025, the District owed TLWWTF \$81,354 which is included in accounts payable on the Statement of Net Position.

# Palmer Lake Sanitation District

## Notes to the Financial Statements

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### Note 4 - Investment in Joint Use Facility (continued)

On October 13, 1998, and December 12, 2006, the District contributed \$10,000 and \$7,000, respectively, to an escrow deposit account with TLWWTF which are included in other non-current assets on the Statement of Net Position.

### Note 5 - Note Payable

In March 2022, the District entered into an agreement with the Colorado Water Resources and Power Development Authority (the "Authority") for a revolving loan in the amount of \$3,000,000. The note bears interest at 2.25%, matures on November 1, 2052 and is secured by the net revenues of the District, as defined in the agreement. The loan requires semi-annual payments of \$69,714 through the term of the loan.

The following table summarizes the note payable at December 31, 2025:

	2025
Balance, Note Payable at January 1, 2025	\$ 2,884,809
Principal payments in 2025	(74,939)
Balance, Note Payable at December 31, 2025	2,809,870
Less: current portion	76,635
Long-term portion	\$ 2,733,235

Interest expense was \$64,489 for the year ended December 31, 2025.

The following is a summary of the future maturities for the note payable for the years ending December 31:

	December 31,
2026	\$ 76,635
2027	78,369
2028	80,142
2029	81,955
2030	83,810
Thereafter	2,408,959
	\$ 2,809,870

# Palmer Lake Sanitation District

## Notes to the Financial Statements

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### **Note 6 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation, for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There was no significant reduction in the District's insurance coverage in fiscal 2025.

The District is a member of the Colorado Special Districts Property and Liability Pool (the "Pool"), as of December 31, 2025. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery, and workers' compensation coverage to its members. There have been no claims that have exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. No distributions were made during the year ended December 31, 2025.

### **Note 7 - Savings Incentive Match Plan**

The District provides a Savings Incentive Match Plan for Employees (SIMPLE), an IRA plan under Section 408(p) of the Internal Revenue Code. The District, on an annual basis, matches contributions made by eligible employees to a qualifying account in an amount up to, but not to exceed, three percent of such eligible employees' gross annual compensation. Participation in the plan is optional for all eligible employees. The plan allows eligible employees to defer a portion of their salary until future years. The District's contributions to the plan for the year ending December 31, 2025 were \$4,984.

### **Note 8 - Commitments and Contingencies**

#### **Environmental Protection Agency (EPA)**

The EPA has imposed certain requirements for providing sludge removal at the treatment plant owned and operated jointly with Woodmoor Water and Sanitation District #1 and Palmer Lake Sanitation District.

#### **Tax, Spending, and Debt Limitations**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments. The District operates as a waste water activity pursuant to Title 37, Article 45.1 of the state statutes.

# Palmer Lake Sanitation District

## Notes to the Financial Statements

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### **Note 8 - Commitments and Contingencies (continued)**

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenues in grants from all state and local governments combined, are excluded from the provision of TABOR. The District's management believes its operations qualify for this exclusion. However, TABOR is complex and subject to interpretation. Many of the provisions, including qualification as an enterprise, will require judicial interpretation. Accordingly, the possibility exists that the District's interpretation of certain TABOR provisions may subsequently be determined to be incorrect. This could result in a potential refund of revenue unless voters approve retention of such revenue. The ultimate outcome of these matters cannot presently be determined and no provision for any liability for a refund of revenue is provided for in these financial statements.

TABOR requires local governments to establish Emergency Reserves equal to 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary benefit increase. As of December 31, 2025, the District has restricted net position of \$27,307 as required by Article X, Section 20.

The District believes it is in compliance with the provisions of TABOR based upon its interpretation of the Amendment's language. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate "fiscal year spending" limits will require judicial review.

## **Supplementary Information**

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# Palmer Lake Sanitation District

## Schedule of Revenues, Expenses, and Change in Net Position - Budget to Actual

<i>Year Ended December 31, 2025</i>	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
User fees	\$ 935,000	\$ 904,481	\$ (30,519)
Interest income	75,000	153,597	78,597
Other revenue - capital transfers	366,500	-	(366,500)
Tap fees	30,000	59,205	29,205
<b>Total Revenue</b>	<b>1,406,500</b>	<b>1,117,283</b>	<b>(289,217)</b>
<b>Expenditures</b>			
Administrative	207,318	121,288	86,030
Debt service - loan costs	139,500	139,428	72
Personnel costs - wages, taxes and benefits	253,515	217,419	36,096
Maintenance	94,750	43,656	51,094
Sewage treatment plant	671,417	536,287	135,130
Capital expenditures	40,000	22,271	17,729
<b>Total Expenditures</b>	<b>1,406,500</b>	<b>1,080,349</b>	<b>326,151</b>
<b>Revenue Over Expenditures</b>	<b>\$ -</b>	<b>36,934</b>	<b>\$ 36,934</b>
<b>Increase (Decrease) to Reconcile Budgetary Basis to GAAP Basis</b>			
Capital expenditures		22,271	
Principal payments on debt		74,939	
Depreciation (expense)		(203,822)	
Gain from investment in joint use facility		131,493	
<b>Change in Net Position</b>		<b>\$ 61,815</b>	