BEULAH WATER WORKS DISTRICT

BEULAH, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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BiggsKofford

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beulah Water Works District
Beulah, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of Beulah Water Works District ("District") as of and for the year ended December 31, 2025 and 2024, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2025 and 2024, the respective changes in financial position, and where applicable, cash flows thereof for the years 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 the 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 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 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.

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 opinions. 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 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 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.

Other Matters

Required Supplementary Information

Management has omitted 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 which 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, 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. Such 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.

BiggsKofford LLP

Colorado Springs, Colorado
September 29, 2026

BEULAH WATER WORKS DISTRICT

STATEMENTS OF NET POSITION

DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Current assets:		
Cash and investments	$ 88,214	$ 259,695
Cash and investments - restricted	69,378	62,470
Accounts receivable	25,920	26,064
Grants receivable	515,125	657,253
Grants receivable - DWRF project funds	833,599	-
Prepaid expenses and other current assets	10,026	12,572
Total current assets	1,542,262	1,018,054
Non-current assets:		
Capital assets, not depreciable	247,593	3,475,770
Capital assets, net	8,089,847	307,915
Total assets	9,879,702	4,801,739
DEFERRED OUTFLOWS OF RESOURCES		
Funds held in escrow to replace a portion of the District's water system	170,401	200,800
Total deferred outflows of resources	170,401	200,800
LIABILITIES		
Current liabilities:		
Accounts payable	945,227	299,670
Retainage payable	197,048	130,193
Accrued wages and benefits	1,498	3,763
Accrued compensated absences	3,105	4,800
Current maturities of long-term obligations	9,480	9,386
Total current liabilities	1,156,358	447,812
Long-term obligations	176,518	185,998
Total liabilities	1,332,876	633,810
NET POSITION		
Net investment in capital assets	8,151,442	3,588,301
Restricted:		
Operations and maintenance reserve	69,378	62,470
Unrestricted	496,407	717,958
Total net position	8,717,227	4,368,729
Total liabilities and net position	$ 10,050,103	$ 5,002,539

The accompanying notes and independent auditor's report
should be read with these financial statements.

BEULAH WATER WORKS DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Water sales	$ 285,875	$ 310,584
Total operating revenues	285,875	310,584
OPERATING EXPENSES		
Personnel	75,909	76,285
Depreciation and amortization	115,317	47,738
Contract labor	45,817	41,696
Water treatment	71,547	40,835
Office expenses	9,917	18,654
Professional expenses	30,065	16,461
Buildings	11,779	12,595
Insurance	12,917	11,350
Vehicles	2,444	2,865
Transmission and distribution	2,548	572
Total operating expenses	378,260	269,051
Net operating income	(92,385)	41,533
NON-OPERATING REVENUES (EXPENSES)		
Grants	4,257,455	2,866,755
Other revenue	6,525	6,616
Interest expense	(3,099)	(1,168)
Cost sharing for trenching	180,002	-
Net non-operating revenues (expenses)	4,440,883	2,872,203
Change in net position	4,348,498	2,913,736
Net position, beginning of year	4,368,729	1,454,993
Net position, end of year	$ 8,717,227	$4,368,729

The accompanying notes and independent auditor's report
should be read with these financial statements.

BEULAH WATER WORKS DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from residents	$ 286,019	$ 308,910
Payments to employees	(79,869)	(70,164)
Cash paid for goods and services	(159,985)	(145,978)
Cash flows from operating activities	46,165	92,768
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenues	3,596,383	2,551,062
Cash flows from non-capital financing activities	3,596,383	2,551,062
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital asset purchases	(3,981,163)	(2,673,010)
Cost sharing for trenches	180,002	-
Principal payments on loan	(9,386)	(5,416)
Interest payments on loan	(3,099)	(1,168)
Other revenues	6,525	6,616
Cash flows from capital and related financing activities	(3,807,121)	(2,672,978)
Net change in cash and investments	(164,573)	(29,148)
Cash and investments, beginning of year	322,165	351,313
Cash and investments, end of year	$ 157,592	$ 322,165
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income	$ (92,385)	$ 41,533
Adjustments to reconcile net operating income to net cash flows from operating activities:		
Depreciation and amortization	115,317	47,738
Net change in operating assets and liabilities:		
Accounts receivable	144	(1,674)
Prepaid expenses	2,546	(950)
Accounts payable	24,503	-
Accrued wages and benefits	(2,265)	1,321
Accrued compensated absences	(1,695)	4,800
Net cash flows from operating activities	$ 46,165	$ 92,768

The accompanying notes and independent auditor's report should be read with these financial statements.

DEFINITION OF REPORTING ENTITY

Beulah Water Works District ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, wa formed in March 1938, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area located in the Town of Beulah in Pueblo County, Colorado ("County"). The District was organized to provide water an wastewater services to the residents within the District's boundaries.

The District follows Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidan for determining which governmental activities, organizations, and functions should be included within the financial reporti entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body a the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financ accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability impose its will on the organization, and potential for the organization to provide specific financial benefits or burdens and fisc dependency.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("U GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since th District is similar to a private utility system where net income and capital maintenance are appropriate determinations accountability.

The more significant accounting policies of the District are described as follows:

Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenues are recognized when earned and expens are recognized when liabilities are incurred. Depreciation is computed and recorded as an operating expense. Expenditures f capital assets are shown as increases in assets.

The District distinguishes between operating revenues and expenses and non-operating items in the statement of revenue expenses, and changes in net position. Operating revenues and expenses generally result from providing services an producing and delivering goods in connection with the District’s purpose of providing water services to its customers. Operati revenues consist of charges to customers for services provided.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds public hearings in th fall each year to adopt the budget and appropriate the funds for the ensuing year. The District's board of directors can modify th budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

The District amended its annual budget for the year ended December 31, 2025.

Cash and equivalents

For purposes of the financial statements, the District considers cash and all highly liquid debt instruments with initial maturities three months or less to be cash equivalents.

Accounts receivable

Accounts receivable of the District consist of water sales receivable. Accounts receivable are unsecured and are stated at th amount the District expects to collect. The District maintains allowances for doubtful accounts for estimated losses resulting fro the inability of its customers to make required payments. Management considers the following factors when determining th collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, curre economic industry trends, and changes in customer payment terms. If the financial condition of the District's customers were deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 3 2025 and 2024, management considers accounts receivable to be fully collectable and no allowance for doubtful accounts ha been recorded.

Grants receivable

Grants receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expecte to be uncollectable.

Capital assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), a reported in the applicable governmental activities column in the government-wide financial statements. Capital assets a defined by the District as assets with an initial individual cost of more than $1,000 and a useful life greater than one year. Su assets are recorded at cost or estimated cost if purchased or constructed. Contributed capital assets are recorded at estimat acquisition value at the date of contribution.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the asse which range from 5 to 50 years.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, th related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is reflected revenues or expenses.

Intangible assets with indefinite useful lives, which include water rights, are not depreciated.

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in th calculation of net investment in capital assets component of the District's net position.

Deferred outflows of resources

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial stateme element represents an outflow of net position that applies to a future period and so will not be recognized as an outflow resources (expenses) until that time. Accordingly, funds held in escrow to replace a portion of the District's water system a deferred and recognized as an outflow of resources in the period that the amounts are expended.

Revenues and expenses

Operating revenues consist of charges for services and are recognized as earned. Operating expenses include the cost service, administrative expenses, and depreciation of assets, and are recorded as incurred.

Use of estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates an assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain prior year balances and amounts have been reclassified to conform to the current year presentation. Thes reclassifications had no impact on previously reported net position or change in net position.

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor's report, the date thes financial statements were available to be issued.

New accounting pronouncements

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("Statement 102"). Statement 102 requir note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes th reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint ha occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance. The District adopted th requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginni of the period of adoption. Management performed the analysis required under Statement 102 and did not identify a concentrations or constraints that require disclosure.

CASH AND INVESTMENTS

Cash and investments as of December 31, 2025 and 2024, are classified in the accompanying financial statements as follows:

	2025	2024
Statement of net position:		
Cash and investments	$ 88,214	$ 259,69
Cash and investments - restricted	69,378	62,47
	$ 157,592	$ 322,16

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2025 and 2024, are follows:

	2025	2024
Deposits with financial institutions	$ 157,592	$ 322,16
	$ 157,592	$ 322,16

Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible pub depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral po for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held trust. The market value of the collateral must be 102% of the aggregate uninsured deposits.

The state commissioners for banks and financial services are required by statute to monitor the naming of eligible depositori and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2025, the District's cash deposits had a bank balance of $186,494 and a carrying balance of $157,592. A of December 31, 2024, the District's cash deposits had a bank balance of $648,536 and a carrying balance of $322,165.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those below which are believed to have minimal credit ris minimal interest rate risk, and no foreign currency risk. The District is not subject to concentration risk disclosure requirements subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the board directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2025 and 2024, the District had no investments.

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, is as follows:

	Balance 01-01-25	Additions	Dispositions	Reclassifications	Balance 12-31-25
Capital assets, not depreciable:					
Construction in progress	$ 3,418,177	$ 4,669,072	$ -	$ (7,897,249)	$ 190,00
Land	7,593	-	-	-	7,59
Water rights	50,000	-	-	-	50,00
Capital assets, not depreciable	3,475,770	4,669,072	-	(7,897,249)	247,59
Capital assets, depreciable:					
Buildings	65,006	-	-	-	65,00
Machinery and equipment	958,313	-	-	690,540	1,648,85
Water infrastructure	-	-	-	7,206,709	7,206,70
Total capital assets, depreciable	1,023,319	-	-	7,897,249	8,920,56
Less accumulated depreciation	(715,404)	(115,317)	-	-	(830,72
Capital assets, net	307,915	(115,317)	-	7,897,249	8,089,84
Total capital assets	$ 3,783,685	$ 4,553,755	$ -	$ -	$ 8,337,44

Capital asset activity for the year ended December 31, 2024, is as follows:

	Balance 01-01-24	Additions	Dispositions	Reclassifications	Balance 12-31-24
Capital assets, not depreciable:					
Construction in progress	$ 392,263	$ 3,025,914	$ -	$ -	$ 3,418,17
Land	7,593	-	-	-	7,59
Water rights	50,000	-	-	-	50,00
Capital assets, not depreciable	449,856	3,025,914	-	-	3,475,77
Capital assets, depreciable:					
Buildings	65,006	-	-	-	65,00
Machinery and equipment	948,313	10,000	-	-	958,31
Total capital assets, depreciable	1,013,319	10,000	-	-	1,023,31
Less accumulated depreciation	(667,666)	(47,738)	-	-	(715,40
Capital assets, net	345,653	(37,738)	-	-	307,91
Total capital assets	$ 795,509	$ 2,988,176	$ -	$ -	$ 3,783,68

Depreciation expense for the year ended December 31, 2025 and 2024, totaled $115,317 and $47,738, respectively.

LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2025:

	Balance 01-01-25	Additions	Repayments / Amortization	Balance 12-31-25	Due Within One Year
Loan payable	$ 195,384	$ -	$ (9,386)	$ 185,998	$ 9,48
Total loan payable	$ 195,384	$ -	$ (9,386)	$ 185,998	$ 9,48

The following is a summary of long-term debt of the District during the year ended December 31, 2024:

	Balance 01-01-24	Additions	Repayments / Amortization	Balance 12-31-24	Due Within One Year
Loan payable	$ 200,800	$ -	$ (5,416)	$ 195,384	$ 9,38
Total loan payable	$ 200,800	$ -	$ (5,416)	$ 195,384	$ 9,38

Drinking Water Revolving Fund Loan Agreement

On August 25, 2023, the District entered into a loan agreement with the Colorado Water Resources and Power Developme Authority ("Authority") for the purpose of replacing a portion of the District's water system. The loan was issued in the amount $1,004,000, with $803,200 of the loan being forgiven by the Authority on August 25, 2023. The loan bears interest at a rate 1.00% per annum and requires semi-annual payments of principal and interest in the amount of $5,551, commencing May 2024, and thereafter every May 1 and November 1 until paid in full. The loan matures on November 1, 2043.

Loan proceeds were placed into a project loan account held by the Authority and will be disbursed to the District upon the Distr submitting executed requisition requests to the Authority. During the year ended December 31, 2025, the District request $645,343 from the project loan account which was received during January 2026 and incurred an additional $188,256 that w considered earned but not yet requested as of December 31, 2025. Loan proceeds not disbursed of $358,657 includes t $188,256 that was incurred, earned, and recorded as revenue during the year ended December 31, 2025 and $170,401 that w not yet incurred by the District. All amounts earned and not yet received are included in Grants receivable - DWRF project fun on the statements of net position as of December 31, 2025. As of December 31, 2024, there was $1,004,000 in unexpended lo proceeds and the project loan account has not been drawn upon.

The portion of the loan that was forgiven will be recognized as revenue when the corresponding project costs are incurred a recognizable by the District. The portion of the loan that was not forgiven was recorded as a long-term obligation of the Distr with corresponding deferred outflows of resources because the District is required to make payments on that portion of the lo prior to receiving proceeds from the loan.

The loan is also secured by a reserve fund in an amount equal to three months of operation and maintenance expense excluding depreciation, as set forth in the annual budget for the current fiscal year. As of December 31, 2025 and 2024, t amount held in reserve was $69,378 and $62,470, respectively.

The District covenants that it will use its best efforts to maintain, in the District's sole discretion, to enforce and collect fees ea fiscal year sufficient to create pledged revenue in an amount equal to not less than 110% of the amount necessary to pay wh due the principal of and interest on the loan and any outstanding additional parity obligations coming due during such fiscal yea and to make up any deficiencies in the reserve fund and any reserve accounts created in respect of any outstanding additio parity obligations. In the event that the pledged revenue at any time is not sufficient to make such payments, the District sh take such action as to increase fees and charges for the use of the water system, after complying with any statut requirements, to an extent which will allow the payments and accumulations required by the loan agreement.

Pledged revenues

The principal of and interest on the loan are payable only from the revenues derived from the operation of the District's wat system after deduction of operations and maintenance costs in amounts sufficient to pay the principal of and interest on the loa

Optional redemption

The District may prepay the loan in whole or in part without penalty upon prior written notice (unless granted an exemption notice) of not less than 30 days.

The District's long-term obligations on the loan mature as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 9,480	$ 1,836	$ 11,316
2027	9,576	1,741	11,317
2028	9,672	1,645	11,317
2029	9,768	1,548	11,316
2030	9,866	1,450	11,316
2031 - 2035	50,836	5,748	56,584
2036 - 2040	53,435	3,149	56,584
2041 - 2043	33,365	586	33,951
Total	$ 185,998	$ 17,703	$ 203,701

Events of default

The occurrence or existence of any one or more of the following events will be an event of default hereunder:

(a) Failure by the District to pay, or cause to be paid, any loan repayment required to be paid hereunder when due, whi failure will continue for a period of 30 days;

(b) Failure by the District to make, or cause to be made, any required payments of interest and principal, redempti premium, if any, and interest on any bonds, notes, or other obligations of the District for borrowed money (other than t loan), after giving effect to the applicable grace period, the payments of which are secured by the pledged revenue;

(c) Failure by the District to observe and perform any duty, covenant, obligation or agreement on its part to be observed performed under the loan agreement other than as referred to in paragraph (a) above, which failure will continue for a peri of 30 days after written notice specifying such failure and requesting that it be remedied is given to the District; provide however, that if the failure stated in such notice is correctable, but cannot be corrected within the applicable period, t Authority may consent to an extension of such time if corrective action is instituted by the District within the applicable peri and diligently pursued until the event of default is corrected;

(d) Any representation made by or on behalf of the District contained in the loan agreement, or in any instrument furnished compliance with or with reference to the loan agreement or the loan, is false or misleading in any material respect; or

(e) (i) A petition is filed by or against the District under any federal or state bankruptcy or insolvency law, or other similar la in effect on the date of this loan agreement or thereafter enacted, unless in the case of any such petition filed against t District such petition will be dismissed within 30 days after such filing, and such dismissal will be final and not subject appeal; or (ii) the District will become insolvent, or bankrupt or make an assignment for the benefit of its creditors; or (iii) custodian (including, without limitation, a receiver, liquidator, or trustee of the District or any of its property) will be appoint by court order, or take possession of the District, or its property or assets, if such order remains in effect, or such possessi continues, for more than 30 days.

Whenever an event of default has occurred and is continuing, the Authority has the right to withhold disbursement of loan fun remaining, and take such other action at law or in equity as may appear necessary to enforce the performance and observan of any duty, covenant, obligation, or agreement of the District hereunder, including, without limitation, appointment ex parte of receiver of the water system.

The District is required to comply with certain administrative covenants related to financial reporting, related metrics, and li representation within 210 days after the completion of each fiscal year which the District did not complete timely for the yea ended December 31, 2025 and 2024. The District has not received notice of noncompliance and has not reclassified the debt a current obligation. As of the audit report date, district management is actively working with the Authority on complying with t administrative covenants related to financial reporting.

NET POSITION

The District has net position consisting of: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

As of December 31, 2025 and 2024, the District had net investment in capital assets as follows:

	2025	2024
Net investment in capital assets:		
Capital assets	$ 8,337,440	$ 3,783,68
Related long-term obligations	(185,998)	(195,38
Net investment in capital assets	$ 8,151,442	$ 3,588,30

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws a regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District h restricted net position as of December 31, 2025 and 2024, as follows:

	2025	2024
Restricted net position:		
Operations and maintenance reserve (Note 5)	$ 69,378	$ 62,47
	$ 69,378	$ 62,47

RELATED PARTIES

During the years ended December 31, 2025 and 2024, the District employed, at arm's length, the spouse of a board member f plant operations. During the year ended December 31, 2025 and 2024, the spouse was paid $79,112 and $33,700, respective This board member is also compensated as an independent contractor for performing accounting services for the District. Duri the year ended December 31, 2025 and 2024, the board member was paid $14,400 and $7,800, respectively.

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissio injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organizati created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and worke compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the eve aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by t Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are n needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains ta spending, revenue, and debt limitations which apply to the state of Colorado and all local governments within the state Colorado.

Spending and revenue limits are determined based on the prior fiscal year spending adjusted for allowable increases bas upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certa exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of su revenues.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal ye spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate f economic conditions, revenue shortfalls, or salary or benefit increases.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annu revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District h made certain interpretations of the amendment's language to determine compliance. The District's management believes t District's operations qualify for the enterprise exclusion allowed by the amendment. The District's management has evaluat grants received for the years ended December 31, 2025 and 2024, based on when cash is received which is consistent with t District's budgetary basis of accounting. The District's management believes that grants received from state and loc governments during the year ended December 31, 2026, will exceed the 10% threshold. While the District's manageme believes the District is in compliance with the requirements of the amendment, the amendment is complex and may requi judicial interpretation.

District management believes the District is in compliance with the provisions of TABOR. However, TABOR is complex a subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits, w likely require judicial interpretation.

COMMITMENTS

As of December 31, 2025, the District had construction-related contract commitments that have not been incurred approximately $234,491 related to various projects in the capital projects fund.

AGREEMENTS

During the year ended December 31, 2025, the District entered into an informal cost sharing agreement with a utility that allow the utility to install cable as the District was performing trenching and construction. The District recorded revenue of $180,0 and $0 in relation to this cost sharing agreement during years ended December 31, 2025 and 2024, respectively.

PENSION PLAN

The District participates in the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defin benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"), a cost-shari multiple-employer defined benefit pension plan that provides retirement, disability, and survivor benefits to participati employees.

The District participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fu administered by the Public Employees' Retirement Association of Colorado ("PERA").

Management has evaluated the requirements of GASB Statement No. 68, Accounting and Financial Reporting for Pensio ("GASB 68"), as they relate to its participation in PERA, and has determined the effects of applying GASB 68 are not material the financial statements. Accordingly, the District has not recognized the related net pension liability, deferred outflows resources, deferred inflows of resources, or pension expense required by GASB 68. During the years ended December 31, 20 and 2024, the District expensed $9,532 and $8,915, respectively, for PERA.

SUBSEQUENT EVENTS

Subsequent to December 31, 2025, the area the District is located in endured a wild fire and then floods. The District's inta location was altered as a result of the floods and the District anticipates applying temporary repairs and improvements to t intake location during the year ending December 31, 2026, of approximately $40,000. The District is in the process of planni for permanent repairs and improvements to take place during the year ending December 31, 2027, and anticipates the cost to approximately $800,000.

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SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET COMPARED TO ACTUAL
- BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance
PERATING REVENUES				
ater sales	$ 295,340	$ 295,340	$ 286,019	$ (9,32
Total revenues	295,340	295,340	286,019	(9,32
PERATING EXPENDITURES				
pital outlay	3,440,000	4,480,412	3,981,163	499,24
rsonnel	71,787	76,500	79,869	(3,36
ntract labor	55,664	55,664	45,817	9,84
ater treatment	38,800	38,800	71,547	(32,74
fice expenses	12,810	12,810	9,917	2,89
ofessional expenses	47,850	42,850	30,065	12,78
ildings	15,015	15,015	11,779	3,23
surance	13,300	13,300	10,371	2,92
hicles	4,500	4,500	2,444	2,05
ansmission and distribution	18,074	18,074	2,548	15,52
Total operating expenditures	3,717,800	4,757,925	4,245,520	512,40
cess of revenues over expenditures	(3,422,460)	(4,462,585)	(3,959,501)	503,08
ON-OPERATING REVENUES AND EXPENDITURES				
ants	3,440,000	4,300,000	3,565,984	(734,01
her revenue	6,400	6,525	6,525	-
st sharing for trenching	-	180,000	180,002	
ansfers to reserves	(23,940)	(23,940)	-	23,94
ncipal payment on loan	-	-	(9,386)	(9,38
erest payment on loan	-	-	(3,099)	(3,09
Total non-operating revenues and expenditures	3,422,460	4,462,585	3,740,026	(722,55
cess of revenue over expenditures - budgetary basis	$ -	$ -	$ (219,475)	$ (219,47

BEULAH WATER WORKS DISTRICT
RECONCILIATION OF AMOUNTS FROM US GAAP BASIS TO BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2025

The accompanying supplementary Schedule of Revenues and Expenditures − Budget Compared to Actual on page 14 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences in revenues and expenditures for the year ended December 31, 2025 is presented below.

Total revenue per financial statements	$ 4,729,857
Less:	
Change in accounts receivable	144
Change in grants receivable	(691,471)
Total actual revenue and receipts per the budget	$ 4,038,530
Total expenses and capital expenditures per financial statements	$ 381,359
Add:	
Principal payments on long-term debt	9,386
Capital additions	4,669,072
Change in prepaid expenses and other current assets	(2,546)
Less:	
Depreciation expense	(115,317)
Change in accrued wages and benefits	2,265
Change in accrued compensated absences	1,695
Change in accounts payable	(621,054)
Change in retainage payable	(66,855)
Total actual expenses and capital expenditures per the budget	$ 4,258,005

See independent auditor's report.