

**PARKVILLE WATER DISTRICT
LEADVILLE, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2025 and 2024

**PARKVILLE WATER DISTRICT
LEADVILLE, COLORADO**

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PARKVILLE WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Parkville Water District (PWD), we offer readers of PWD's financial statements this narrative overview of the financial activities of PWD for the fiscal year ending December 31, 2025. We encourage readers to consider the information presented here in conjunction with PWD's financial statements and notes to the basic financial statements to enhance their understanding of PWD's financial performance.

FINANCIAL HIGHLIGHTS

- In 2025, the assets of PWD exceed its liabilities at the close of the 2025 fiscal year by \$12,081,648 (net position). Of this amount \$2,853,666 (unrestricted net position) may be used to meet PWD's ongoing obligations. In 2025, total assets increased \$995,729 while total liabilities decreased \$149,189 resulting in total net position increasing \$1,144,918.
- PWD's operations expense decreased in 2025 by \$236,382. General and administrative expenses increased by \$53,425 in 2025.
- Operating revenues increased by \$211,817 in 2025 primarily due to a rate increase.
- Capital contributions – grants income increased by \$383,979 in 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include this management's discussion and analysis report, the independent auditor's report and the basic financial statements of PWD. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of PWD report information of PWD using accounting methods similar to those used by private sector companies. These statements offer short-and long-term financial information about its activities. The Statement of Net Position includes all of PWD’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to PWD creditors (liabilities). It also provides the basis for evaluating the capital structure of PWD and assessing the liquidity and financial flexibility of PWD.

All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of PWD’s operations over the past year and can be used to determine whether PWD has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. The statement reports cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF PWD

The most common financial question posed to PWD is “How did we do financially during 2025”. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about PWD’s activities in a way that will help answer this question.

These two statements report the net position of PWD and the changes in them. One can think of PWD’s net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in PWD’s net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of PWD’s Statement of Net Position is presented in Table A-1.

Table A-1
Condensed Statements of Net Position

	FY2025	FY2024	FY2023
Current and Other Assets	\$ 3,512,276	\$ 2,991,475	\$ 2,843,810
Capital Assets	11,158,468	10,683,540	10,545,333
Total Assets	14,670,744	13,675,015	13,389,143
Current Liabilities	198,434	223,151	206,460
Long Term Liabilities	2,390,662	2,515,134	2,636,345
Total Liabilities	2,589,096	2,738,285	2,842,805
Invested in Capital Assets	8,643,336	8,027,215	7,790,924
Restricted Net Position	584,646	647,906	612,346
Unrestricted Net Position	2,853,666	2,261,609	2,143,068
Total Net Position	\$12,081,648	\$10,936,730	\$10,546,338

As can be seen from Table A-1 above, net position increased \$1,144,918 to \$12,081,648 in 2025 from \$10,936,730 in 2024. Changes in Net Position compared to 2024 included a \$474,928 increase in capital assets, \$520,801 increase in current and other assets, and a \$149,189 decrease in current and other liabilities. Cash on hand is up \$421,317 due to additional plant investment fees recorded in 2025. due to additional plant investment fees in 2025. Accounts receivable is up from growth in Lake County, new customers and rate increase.

The District’s net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation and reduced by any outstanding debt related to their acquisition, construction, or improvement; the increase in this component is primarily due to additions to fixed assets during the year. Restricted net position includes reserves for the TABOR emergency reserve, as required by the Taxpayer’s Bill of Rights, with the decrease in this reserve attributable to lower expenses. It also includes the Drinking Water Revolving Fund loan reserve, which reflects three months of operating and maintenance expenses (net of depreciation and interest expense) as required by the loan agreement; this reserve decreased due to scheduled loan payments. Additionally, the Pledged Revenue Loan reserve, which is maintained in accordance with the loan agreement to cover annual loan payments, remained consistent as principal payments have not changed. Unrestricted net position encompasses all other resources available for use at the District’s discretion.

Table A-2
Condensed Statements of Revenues,
Expenses and Changes in Net Position

	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2023</u>
Operating Revenues	\$2,674,785	\$2,462,968	\$2,329,340
Non-operating Revenues	<u>118,769</u>	<u>125,673</u>	<u>104,057</u>
Total Revenues	<u>2,793,554</u>	<u>2,588,641</u>	<u>2,433,397</u>
Depreciation Expense	471,151	468,518	372,153
Operating Expense	962,600	1,198,982	1,062,408
General and Administrative Expense	<u>935,683</u>	<u>882,258</u>	<u>773,555</u>
Total Expenses	<u>2,369,434</u>	<u>2,549,758</u>	<u>2,208,116</u>
Income Before Capital Contributions	<u>424,120</u>	<u>38,883</u>	<u>225,281</u>
Plant investment fee	312,310	327,000	319,085
Capital Contributions – Grant	<u>408,488</u>	<u>24,509</u>	<u>375,100</u>
Total Capital Contributions	<u>720,798</u>	<u>351,509</u>	<u>694,185</u>
Changes in Net Position	1,144,918	390,392	919,466
Beginning Net Position	<u>10,936,730</u>	<u>10,546,338</u>	<u>9,626,872</u>
Ending Net Position	<u>\$12,081,648</u>	<u>\$10,936,730</u>	<u>\$10,546,338</u>

While the Statement of Net Position shows the change in financial position of net assets, the Statements of Revenues, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, the change in net position of \$1,144,918 resulted in the increase in net position in 2025.

PWD’s combined operating revenues and non-operating revenues increased by \$204,913 to \$2,793,554 in 2025 due to a 10% rate increase. In 2025 the grants increased during the year by \$56,979, related to grant revenue for capital projects.

PWD’s operating expenses decreased by \$236,382 in 2025, while general and administrative expenses increased by \$53,425. The decrease was primarily due to the large affordable housing project, we had less capacity for additional projects which resulted in lower general expenses as compared to the prior year and a shortened digging season. The increase in general and administrative expenses was due to wage increases.

BUDGETARY HIGHLIGHTS

PWD adopts an annual operating budget following public budget workshops and a public hearing. The operating budget includes proposed expenses and the means of financing them. A 2025 budget comparison and analysis is presented to the Board of Directors as interim financial statements.

A 2025 budget comparison and analysis is presented in Table A-3.

**Table A-3
Budget vs. Actual
FY 2025**

	Original / Final Budget	Actual	Variance Over and (Under)
Revenues			
From Operations	\$ 2,369,005	\$ 2,563,118	\$ 194,113
Other revenue and capital contributions	3,546,255	832,465	(2,713,790)
Non-operating revenues	36,000	118,769	82,769
Total Revenue	5,951,260	3,514,352	(2,436,908)
Operating Expenses			
Source of Supply	10,000	300	(9,700)
Power and Pumping	126,000	60,622	(65,378)
Water Treatment	306,500	172,514	(133,986)
Transmission and Distribution	810,000	677,005	(132,995)
Equipment Maintenance	112,000	52,159	(59,841)
Business Office	386,750	370,931	(15,819)
Employee Benefits	318,100	368,014	49,914
Outside Services and Other	169,000	115,617	(53,383)
Interest Expense	-	81,121	81,121
Loan Principal	229,700	121,213	(108,487)
Capital Outlay	3,371,000	946,079	(2,424,921)
Total Expenses	5,839,050	2,965,575	(2,873,475)
Net Gain (Loss) per Budgetary Basis	\$ (592,790)	\$ (57,949)	\$ (534,841)

The revenue from operations was under budget by \$2,436,958 because of grant revenue. and the 6th street project will be completed in 2026. The expenses were under budget by \$2,765,988. The budget for 2025 had our 6th street project completed but only part of the work had been completed by the end of the year.

CAPITAL ASSETS

At the end of 2025, PWD had \$18,947,515 invested in capital assets as shown in Table A-4. At the end of 2024, PWD had \$18,890,124 invested in capital assets. Increase is due to asset additions during the year.

Table A-4
Capital Assets

	FY 2025	FY 2024	FY 2023
Source of Supply Plant	\$ 3,882,398	\$ 3,882,398	\$ 3,882,398
Pumping Plant	561,479	561,479	286,979
Water Treatment Plant	3,311,530	3,263,181	3,243,836
Transmission and Distribution Plant	5,712,510	5,712,510	5,651,469
General Plant	5,479,598	5,470,556	5,258,951
Gross investment in capital assets	18,947,515	18,890,124	18,323,633
Less Accumulated Depreciation	8,750,417	8,279,266	7,810,748
Net Capital Assets	\$ 10,197,098	\$ 10,610,858	\$ 10,512,885
Construction in progress	\$ 961,370	\$ 72,682	\$ 32,448

DEBT ADMINISTRATION

At December 31, 2012, PWD received a loan from the Colorado Water Conservation Board (CWCB) for the Canterbury Tunnel Repair Project for \$1,026,371. The payments are \$59,355 annually for 30 years, beginning February 1, 2014. At December 31, 2025 the balance was \$751,395.

At December 31, 2020 PWD received a loan from the Colorado Water Resources & Power Development Authority (CWR&PDA) for the Water Treatment Upgrade Project for \$1,606,445. The term of the loan is 20 years payable semi-annually beginning November 1, 2020 with an interest rate of 1.5%. The November 1, 2020 payment was \$9,677 and the payment due on May 1, 2021 is \$47,449. The payment due on November 1, 2021 is \$47,456 and remains this amount for the life of the loan. At December 31, 2025 the balance was \$1,232,713.

At December 31, 2024 PWD received a loan from NBA Bank for a purchase of a building and land for \$580,000. The term of the loan is 20 Years payable semi-annually beginning December 1, 2024 with an interest rate of 5.03%. Payments began December 1, 2024 for \$24,051 and remains this amount for the life of the loan. At December 31, 2025 the balance was \$531,026.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Parkville's Distribution System crew spent most of the summer installing 24 new service lines on West 6th street and West 3rd Street for the new Affordable Housing development. JHL finished Phase 1 of the East 6th Street water line project. Partial funding for the East 6th Street project was taken from the \$1 million Mineral Impact Grant. Phase 2 of the project will begin in April 2026. Also in the summer of 2026, Parkville will purchase a new dump truck, and an emergency

backup generator at the Canterbury pump station. In house work will include a block of mainline replacement and the regular service line replacements.

**Table A-5
Budget Rate History
DISTRICT RATE HISTORY**

<u>Fiscal Year</u>	<u>Minimum Monthly Charges</u>	<u>Gallons Allowed</u>
2014	\$36.00	4,000
	\$ 4.50	1,000
2015	\$37.50	4,000
	\$ 4.50	1,000
2018	\$44.00	4,000
	\$ 4.70	1,000
2020	\$51.00	4,000
	\$ 5.45	1,000
2021	\$52.00	4,000
	\$ 5.56	1,000
2022	\$54.00	4,000
	\$ 5.78	1,000
2023	\$57.00	3,000
	\$6.05	1,000
2024	\$60.00	3,000
	\$6.30	1,000
2025	\$66.00	3,000
	\$6.93	1,000
2026	\$66.00	No Set Limit
	\$6.93	

PWD CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of PWD’s finances and to demonstrate PWD’s accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Francine McWhirt, Office Manager, Parkville Water District, 2015 N. Poplar, Leadville, CO 80461 or by telephone at 719/486-1449.



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Parkville Water District
Leadville, Colorado

Opinion

We have audited the financial statements of the business-type activities of Parkville Water District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Parkville Water District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Parkville Water District, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof 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 (GAAS). 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 Parkville Water 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.

Other Matter

Summarized Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2024, from which such summarized information was derived.

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 Parkville Water District's ability to continue as a going concern for twelve months beyond the financial statement issuance 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 GAAS 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 GAAS, 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 Parkville Water 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 Parkville Water 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-15 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 Parkville Water District's basic financial statements. The Schedule of Revenues, Expenses and Changes in Net Position- Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Net Position- Budget and Actual 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 Schedule of Revenues, Expenses and Changes in Net Position- Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC
Centennial, Colorado
April 13, 2026

PARKVILLE WATER DISTRICT
Statements of Net Position
December 31, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash	\$ 2,475,090	\$ 1,990,513
Cash - restricted	584,646	647,906
Accounts receivable	302,804	176,615
Grant receivable	--	24,509
Inventory	146,253	149,691
Other	3,483	2,241
Total current assets	3,512,276	2,991,475
Noncurrent assets:		
Capital assets, net of accumulated depreciation	10,197,098	10,610,858
Construction in progress	961,370	72,682
Total noncurrent assets	11,158,468	10,683,540
Total assets	\$ 14,670,744	\$ 13,675,015
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 31,607	\$ 59,518
Customer deposits	9,137	9,167
Interest payable	33,220	33,255
Long term debt - due in one year	124,470	121,211
Total current liabilities	198,434	223,151
Noncurrent liabilities, net of current portion:		
Long term debt - due in more than one year	2,390,662	2,515,134
Total non current liabilities	2,390,662	2,515,134
Total liabilities	2,589,096	2,738,285
Net position:		
Net investment in capital assets	8,643,336	8,027,215
Restricted for:		
Drinking water revolving fund loan reserve	454,291	500,351
Pledged revenues loan reserve	59,355	59,355
Labor emergency reserve	71,000	88,200
Unrestricted	2,853,666	2,261,609
Total net position	\$ 12,081,648	\$ 10,936,730

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

PARKVILLE WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2025 and 2024

	2025	2024
Operating Revenue		
Revenues:		
Sales of water	\$ 2,563,118	\$ 2,313,081
Other water revenue	111,667	149,887
Total operating revenues	2,674,785	2,462,968
Operating Expenses		
Operations	962,600	1,198,982
General and administrative expenses	935,683	882,258
Depreciation	471,151	468,518
Total operating expenses	2,369,434	2,549,758
Net operating income (loss)	305,351	(86,790)
Non-operating revenues:		
Interest on investments	108,569	115,473
Other non-operating revenue	10,200	10,200
Total non-operating revenue	118,769	125,673
Net income before contributions		
Capital contributions		
Plant investment fee	312,310	327,000
Capital contributions - grant income	408,488	24,509
Total capital contributions	720,798	351,509
Change in net position	1,144,918	390,392
Total net position - beginning of year	10,936,730	10,546,338
Total net position - end of year	\$ 12,081,648	\$ 10,936,730

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

PARKVILLE WATER DISTRICT
Statements of Cash Flows
For the years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from customers	\$ 2,573,105	\$ 2,541,054
Cash paid to suppliers	(1,044,918)	(1,207,550)
Cash payments to employees for services	(879,145)	(837,607)
Net cash provided by operating activities	649,042	495,897
Cash flows from capital financing activities:		
Plant investment fees	312,310	327,000
Acquisition of capital assets	(946,079)	(606,726)
Principal paid on loans	(121,213)	(118,064)
Other non-operating revenue	10,200	10,200
Grant income	408,488	24,509
Net cash used by capital financing activities	(336,294)	(363,081)
Cash flows from investing activities:		
Interest on investments	108,569	115,473
Net cash provided by investing activities	108,569	115,473
Net increase in cash and restricted cash	421,317	248,289
Cash and restricted cash, beginning of year	2,638,419	2,390,130
Cash and restricted cash, end of year	\$ 3,059,736	\$ 2,638,419
Reconciliation of operating income (loss) to net cash provided by operations:		
Net operating income (loss)	\$ 305,351	\$ (86,790)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:		
Depreciation	471,151	468,518
Decrease (increase) in:		
Accounts receivable	(126,189)	102,595
Grant receivable	24,509	(24,509)
Inventory	3,438	22,694
Other assets	(1,242)	(156)
(Decrease) increase in:		
Accounts payable	(27,911)	18,013
Customer deposits	(30)	--
Interest payable	(35)	(4,468)
Total adjustments	343,691	582,687
Net cash provided by operating activities	\$ 649,042	\$ 495,897
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 81,121	\$ 79,836

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

PARKVILLE WATER DISTRICT
Notes to the Financial Statements
December 31, 2025

1. Summary of significant accounting policies

Parkville Water District (the District) is organized under the provisions of Section 32-1-101 et seq., Colorado Revised Statutes (CRS). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

Reporting entity

The District is a Statutory, Single-Purpose, Special District governed by a five-member Board of Directors that are elected by the qualified voters in the District. The Board is accountable only to the voters and has no authority or influence over any other governmental entity. Likewise, the District is not financially dependent upon nor directly influenced by any other level of government. These financial statements reflect the operation of the District only.

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 follows the Governmental Accounting Standards Board (GASB), which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

Measurement focus, basis of accounting and financial statement presentation

The accompanying financial statements are presented in accordance with GASB Statement No. 34. The government-wide financial statements (i.e. the statement of net position and the statement of revenues, expenses, and changes in fund net position) report information on the business-type activities of the District, which rely to a significant extent on user fees and charges for support. The statement of activities demonstrates the degree to which expenses of the business-type activities are supported by user fees.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

The District's operations are classified as an Enterprise fund that accounts for the acquisition, operation, and maintenance of activities that are similar to a business. The business-type fund

PARKVILLE WATER DISTRICT
Notes to the Financial Statements
December 31, 2025

distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations, the delivery of water. Operating expenses for the fund include water expenses, all revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable. For cost reimbursement grants, grant revenue is recognized as eligible costs are incurred and all eligibility requirements are satisfied.

For the year ended December 31, 2025, Parkville Water District reclassified certain amounts in the prior year statement of cash flows to conform to the current year presentation. The total net cash flows were not affected by these changes.

Assets, liabilities, deferred inflows of resources, and net position

Cash and restricted cash

For purposes of the statement of cash flows, the District considers demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Fair value of financial instruments

The District's financial instruments include cash and investments, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2025 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Inventory

Inventory of pipe, fittings, and materials is valued at cost utilizing the first-in, first-out method. Inventory was determined based on a physical count at December 31, 2025 and 2024.

Capital assets

All purchased capital assets are recorded at cost, or estimated cost if actual cost is not available. Donated fixed assets are valued at their estimated fair market value at date of donation. Major capital outlays for capital assets and improvements are capitalized as projects are completed. The District capitalizes assets in excess of \$5,000.

PARKVILLE WATER DISTRICT
Notes to the Financial Statements
December 31, 2025

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 7 to 50 years.

Leases and Subscription-Based IT Arrangements

Under GASB 87 and 96, the District recognizes short-term lease payments as outflows of resources based on the payment provisions of the lease contract.

Long-term obligations

Long-term obligations of the District consist of principal due on loans from the Colorado Water Conservation Board, Colorado Water Resources and Power Development Authority and a bank loan.

Net Position

Net position is classified as net position and may be displayed in three components:

- Net investment in capital assets - consists of capital assets including restricted 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 - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets." This net position is available for future operations or distributions.

For presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Budgetary information

Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures. The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District's Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

PARKVILLE WATER DISTRICT
Notes to the Financial Statements
December 31, 2025

2. Detailed notes concerning the funds

Cash and cash equivalents

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, repay the public deposits to the depositing government. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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 market value of the collateral must be equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Colorado Revised 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, the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA. Cash and restricted cash is made up of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Restricted Portions	\$ 584,646	\$ 647,906
Non-Restricted Portions	<u>2,475,090</u>	<u>1,990,513</u>
	<u>\$ 3,059,736</u>	<u>\$ 2,638,419</u>

As of December 31, 2025 and 2024, cash and investments consist of the following:

	<u>2025</u>	<u>2024</u>
Deposits with financial institutions	\$ 155,751	\$ 309,628
COLOTRUST	<u>2,903,985</u>	<u>2,328,791</u>
	<u>\$ 3,059,736</u>	<u>\$ 2,638,419</u>

Restricted Cash

Restricted cash is comprised of cash restricted by law or as required by loan terms as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Tabor emergency reserve	\$ 71,000	\$ 88,200
Loan reserves	<u>513,646</u>	<u>559,706</u>
	<u>\$ 584,646</u>	<u>\$ 647,906</u>

Restricted Cash – The Tabor Emergency Reserve represents funds required under Amendment No. 1, the "Tabor Amendment" passed by Colorado voters in November 1992, for "emergency reserves" and may be utilized only for declared emergencies which exclude economic conditions, revenue shortfalls, and district salary and fringe benefit increases.

Restricted Cash – Loan reserves represents funds required for the loan agreement with Colorado Water Resources & Power Development Authority to maintain an operations and maintenance reserve in an amount equal to three months of operating expenses excluding depreciation.

Investments

The District is authorized by Colorado Statutes to invest in the following:

- Certificates of deposit with an original maturity in excess of three months
- Bonds and other interest-bearing obligations of the United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of local government entities in Colorado
- Banker's acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts, with certain exceptions
- Commercial paper

Interest Rate Risk

The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no investment policy that limits its investment choices other than the limitation of state law.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer.

Colostrust

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), 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 currently offers three portfolios – COLOTRUST EDGE, COLOTRUST PRIME and COLOTRUST PLUS+.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

PARKVILLE WATER DISTRICT
Notes to the Financial Statements
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A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAm by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period. At December 31, 2025, the District had \$2,903,985 invested in COLOTRUST Plus+.

Receivables

Accounts receivable primarily consist of user fees for water services earned as of December 31, 2025. The District considers all receivables to be collectible at December 31, 2025.

Grant Revenue

During the fiscal year, the District received \$1,000,000 in the form of a cost reimbursement grant from the Colorado Department of Local Affairs. Of this amount, \$408,488 was recognized as revenue in the current year as eligibility requirements were met through the incurrence of allowable costs. The grant agreements require the District to incur specific types of expenditures to qualify for reimbursement and are subject to compliance reviews. The grant programs are expected to continue into the next fiscal year. No contingencies or recapture provisions are currently applicable. Amounts are drawn on the grant as costs are incurred and no amounts have been received in advance of meeting the required eligibility requirements.

Changes in capital assets

The changes in capital assets for the year ended December 31, 2025 are as follows:

	Balance January 1, 2025	Additions	Deletions	Balance December 31, 2025
Capital assets being depreciated				
Supply	\$ 3,882,398	\$ --	\$ --	\$ 3,882,398
Pumping Plant	561,479	--	--	561,479
Water Treatment	3,263,181	48,349	--	3,311,530
Transmission & Distribution	5,712,510	--	--	5,712,510
General Plant	5,470,556	9,042	--	5,479,598
Total capital assets being depreciated	18,890,124	57,391	--	18,947,515
Accumulated depreciation	(8,279,266)	(471,151)	--	(8,750,417)
Net capital assets	10,610,858	(413,760)	--	10,197,098
Non-depreciated assets:				
Construction in progress	72,682	888,688	--	961,370
Total net book value	\$ 10,683,540	\$ 474,928	\$ --	\$ 11,158,468

PARKVILLE WATER DISTRICT
Notes to the Financial Statements
December 31, 2025

Long-term debt

As of December 31, 2025 and 2024, the long-term debt of the District consisted of the following:

	<u>2025</u>	<u>2024</u>
<u>Colorado Water Resources & Power Development Authority</u>		
On May 22, 2020 the District entered into a loan contract with the CWR & PDA from the State of Colorado Drinking Water Revolving Fund with an original amount of \$2,000,000 for the Water Treatment Plant Upgrade Project. On November 16, 2020, the loan was reduced to \$1,606,445, with the term of the loan for twenty years and an interest rate of 1.5%. The loan is payable semi-annually beginning November 1, 2020. The payment due on November 1, 2020 was \$9,677. The payment due on May 1, 2022 is \$47,448. The payment due on November 1, 2022 is \$47,456 and remains this amount for the life of the loan. The loan is secured by pledged revenues.	\$ 1,232,713	\$ 1,308,283
<u>Colorado Water Conservation Board (CWCB)</u>		
On January 12, 2012 the District entered into a loan contract with the Colorado Water Conservation Board (CWCB) with an original amount of \$1,838,200 for the Canterbury Tunnel Repair Project. The loan amount was reduced to \$ 1,026,371 on June 6, 2013. The loan is payable annually beginning February 1, 2014 for thirty years in the amount of \$59,355 including principal and interest at the rate of 4.00%. Revenues of the District are pledged in an amount sufficient to pay the annual amount due under the loan contract.	751,394	779,567
<u>Bank Loan</u>		
On August 21, 2023, the District entered into a loan contract with a bank with an original amount of \$580,000 to purchase a building. The loan is payable semi-annually beginning December 1, 2023 for twenty years in the amount of \$24,058 including principal and interest at a rate of 5.63%.	531,025	548,495
Total Long-term Debt	\$ 2,515,132	\$ 2,636,345

Annual debt service requirements to maturity are as follows:

Year	Interest	Principal	Payment
2026	\$ 77,914	\$ 124,470	\$ 202,384
2027	74,529	127,855	202,384
2028	71,023	131,361	202,384
2029	67,387	134,997	202,384
2030	62,390	138,768	201,158
2031-2035	256,302	755,619	1,011,921
2036-2040	137,714	826,750	964,464
2041-2043	22,873	275,312	298,185
Total	\$ 770,132	\$ 2,515,132	\$ 3,285,264

PARKVILLE WATER DISTRICT
Notes to the Financial Statements
December 31, 2025

The following is an analysis of changes in long-term obligations for the year ended December 31, 2025.

	Balance January 1, 2025	Additions	Payments	Balance December 31, 2025	Due in One year
CWR & PDA Loan	\$ 1,308,283	\$ --	\$ (75,570)	\$ 1,232,713	\$ 76,713
CWCB Loan	779,567	--	(28,173)	751,394	29,297
Bank Loan	548,495	--	(17,470)	531,025	18,460
Total	\$ 2,636,345	\$ --	\$ (121,213)	\$ 2,515,132	\$ 124,470

Net position

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

TABOR - the District has reserved a portion of fund balance for the TABOR emergency reserve - see footnote 3.

Drinking Water Revolving Fund Loan Reserve - fund balance has been reserved in accordance with the loan agreement to reflect three months of operating and maintenance expenses net of depreciation and interest expense.

Pledged Revenues Loan Reserve - fund balance has been reserved in accordance with the loan agreement to reflect the annual payment for the loan.

3. Other information

Risk management

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

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado.

The Pool is an organization created by intergovernmental agreement to provide property, liability, public official liability, and boiler and machinery and workers 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 property, general liability and public official's liability coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. Any excess funds, which 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.

TABOR Amendment

In November of 1992, Colorado voters approved Amendment 1 to the state Constitution which, is commonly known as The Taxpayer's Bill of Rights or the TABOR Amendment.

The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refunding to lower interest rates and adding employees to pension plans). The amendment does not apply to units that are defined as "Enterprises." The Parkville Water District does not qualify as an "Enterprise."

The amendment defined the District's year ending December 31, 1992, as the initial base year for purposes of defining compliance with the amendment. The amendment defines inflation and local growth. Future year's revenue, based upon prior year's revenue, is only allowed to increase based upon the inflationary and local growth factors. The District must refund revenue received in excess of the prior year's revenue to the voters, unless the voters were to approve retention of the excess revenue. The District placed a question on the November 1996, ballot that would permit the District to keep and spend all revenues from all sources in 1996 and subsequent years without limiting in any year the amount of other revenues that may be collected. The voters approved this ballot question.

The amendment also requires the District to establish an "Emergency Reserve" which must be equal to 3% of current year's spending. Conditions under which these reserves may be spent are severely limited.

The Parkville Water District, Leadville, Colorado, believes that it is in compliance with the provisions of TABOR, as it is currently understood. Many of the provisions may not become fully understood without judicial review.

4. Pension Plans

Defined Contribution Plan (401a Plan)

The Parkville Water District adopted the "Parkville Water District Money Purchase Pension Plan," a defined contribution plan, effective August 1, 1995, for all employees. Under this plan, retirement benefits are based solely on amounts contributed by the employer and investment earnings. Employees become eligible to participate after completing 30 days of service.

Participation in the plan is limited to discretionary employer contributions; employees do not contribute to the plan. For 2025 and 2024, the District made a discretionary contribution equal to 8.05% of each eligible employee's base salary each month. Employer contributions are fully vested immediately.

For the years ended 2025 and 2024, the District's total payroll was \$857,239 and \$815,155, respectively. Eligible base salaries totaled \$779,864 for 2025 and \$609,789 for 2024, resulting in total employer contributions of \$62,779 and \$49,088, respectively (excluding administrative fees). The plan is administered through Empower Trust Company, LLC.

Effective October 10, 2025, the plan was restated as the "Parkville Water District Simplified Pension Plan" to incorporate all required updated regulatory provisions. Empower Trust Company, LLC continues to serve as the plan's administrator and trustee.

Deferred Compensation Plan (457 Plan)

Effective August 1, 1995, the District implemented a deferred compensation plan under Internal Revenue Code (IRC) Section 457. This plan was available to all employees of the Parkville Water District, allowing them to defer a portion of their salary to a future date. Deferred funds became accessible upon an employee's termination, retirement, death, or in the event of financial hardship.

The District acted as the trustee for a trust established in accordance with IRC Section 457(g), which required the trust to be irrevocable. In compliance with IRC 457(g), trust assets and income were held solely for the benefit of the plan's participants and beneficiaries, and could not be used by the trustee for any other purpose.

Effective October 10, 2025, the original plan was replaced with a new 457 plan, the "Parkville Water District Deferred Compensation Plan," with Empower serving as the trustee. The terms of the new plan remain substantially unchanged from the previous plan.

6. Subsequent Events

Events occurring subsequent to the statement of net position date have been evaluated for financial statement impact or disclosure through the date of the report which is the date the financial statements were available to be issued.

PARKVILLE WATER DISTRICT
Schedule of Revenues, Expenses and Changes in Net Position -
Budget (Non - US GAAP Basis) and Actual
For the year ended December 31, 2025

	Original & Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Sales of Water:			
Bulk water	\$ 7,000	\$ 18,043	\$ 11,043
Unmetered	2,230	550	(1,680)
Metered residential	1,576,575	1,781,374	204,799
Metered commercial	577,500	542,850	(34,650)
Standby fees	84,700	90,268	5,568
Sales to public authorities	121,000	130,033	9,033
Other Revenue and Capital Contributions:			
Plant investment fee	198,000	312,310	114,310
Miscellaneous service revenue	55,000	111,667	56,667
Grant income	1,815,000	408,488	(1,406,512)
Unappropriated funds	1,478,255	--	(1,478,255)
Total revenue	5,915,260	3,395,583	(2,519,677)
Expenditures:			
Source of supply	10,000	300	(9,700)
Power & pumping	126,000	60,622	(65,378)
Water treatment	306,500	172,514	(133,986)
Transmission & distribution	810,000	677,005	(132,995)
Equipment maintenance	112,000	52,159	(59,841)
Business office	386,750	370,931	(15,819)
Employee benefits	318,100	368,014	49,914
Outside services & other	169,000	115,617	(53,383)
Interest expense	--	81,121	81,121
Capital outlay	3,371,000	946,079	(2,424,921)
Total expenditures	5,609,350	2,844,362	(2,764,988)
Non-Operating Revenues:			
Interest income	25,000	108,569	83,569
Other non-operating revenue	11,000	10,200	(800)
Total non-operating revenues	36,000	118,769	82,769
Debt service:			
Loan principal	229,700	121,213	(108,487)
Total debt service	229,700	121,213	(108,487)
Net income - non - US GAAP budgetary basis	\$ 112,210	\$ 548,777	\$ 436,567
Adjustments to US GAAP basis:			
Waste water revolving loan principal		121,213	
Capital outlay - capitalized		946,079	
Depreciation expense		(471,151)	
Total adjustments to US GAAP basis		596,141	
Net income - US GAAP basis		\$ 1,144,918	

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