PINEWOOD SPRINGS WATER DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2025

ANDERSON & WHITNEY

PINEWOOD SPRINGS WATER DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2025

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A Professional Corporation of
Certified Public Accountants

Independent Auditors' Report

Board of Directors
Pinewood Springs Water District
Lyons, Colorado

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pinewood Springs Water District as of December 31, 2025, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 assurance.

Supplementary Information

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 19 - 21 are presented for purposes of additional analysis and is not a required part of the basic financial statements. It 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anderson & Whitney, P.C.

September 28, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is an analysis and overview of the financial activities of the Pinewood Springs Water District (the District) for the year ended December 31, 2025. This information should be read in conjunction with the financial statements and notes which follow:

FINANCIAL HIGHLIGHTS

- As of December 31, 2025, $1,359,850 was held in net position for the provision of future services to citizens.
- For fiscal year 2025, the total net position increased by $41,799 or 3% from 2024. This was primarily from the increased service fees being slightly more than the costs for the increased repairs and compliance.
- Operating revenue for 2025 totaled $711,567, which is an increase of 36% from 2024. This was primarily due to an increase in service fees.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Statement of revenue, expenses, and changes in net position present the District revenue and expenses for the year ended December 31, 2025.

Statement of cash flows show the net cash flows from activities for the year ended December 31, 2025.

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

These statements provide a snapshot of the District's assets and liabilities as of December 31, 2025 and the activities which occurred during the year. All statements were prepared using the accrual basis of accounting as required by GASB.

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

FINANCIAL ANALYSIS

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

December 31	2025	2024
Cash	$ 65,933	$ 20,656
Property taxes receivable	192,771	219,619
Receivables, net	195,495	74,164
Capital Assets, net	3,653,418	2,896,958
Unrequisitioned funds from CWRPDA	1,051,628	--
Other assets	256,128	330,418
Total Assets	5,415,373	3,541,815
Less Liabilities and Deferred Inflows	4,055,523	2,223,764
Net Position	$1,359,850	$ 1,318,051

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

Years Ended December 31	2025	2024
Revenues:		
Water sales	$ 420,467	$ 304,252
System improvement fees and other	302,281	170,567
Property and specific ownership taxes	234,167	242,316
Grant revenues	186,671	--
Total Revenues	1,143,586	717,135
Expenses:		
Operating expenses:		
Water operating	627,623	335,967
Depreciation	201,715	202,836
Interest	117,761	79,958
General and administrative	154,687	178,522
Total Expenses	1,101,787	797,283
Net Income (Loss)	$ 41,799	$ (80,148)

Net position has changed due to the following:

- During 2025, revenue increased approximately 59%, due to increased system improvement fees and the new debt service fees.
- During 2025, total expenses increased by 38%, due to increased repairs and maintenance costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District has two major enterprise funds: the Water Activity Enterprise and the Water Debt Service funds.

* The Water Activity Enterprise Fund accounts for service charges and expenses of operating the District's water system. The Water Enterprise Fund net position at December 31, 2025 is $892,911. Net position decreased by $142,651 during the year due to grant revenues received being less than the increased repair and compliance costs.

* The Water Debt Service Fund accounts for property taxes received which are levied to service certain debt payments. Starting in May 2025, it is also comprised of the debt service fees that are assessed monthly to customers to help service the debt payments. The Water Debt Service Fund net position at December 31, 2025 is $466,939. Net position increased by $282,489 during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's capital assets for its business type activities as of December 31, 2025, totals $3,653,418 (net of accumulated depreciation). This investment includes all land, buildings, vehicles, and equipment. The total increase in capital assets for the current year was $756,459, due to system improvements exceeding depreciation expense during the year.

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

DEBT

Long-term Debt. At December 31, 2025, the District had $3,560,174 of water loans payable, funded by property taxes and debt service fees assessed to customers each month.

Additional information on the District's debt can be found in Note 5.

OTHER MATTERS

The following factors are expected to have a significant impact on the District's financial position and results of operations and were taken into account in developing the 2026 budget:

- User charges were increased for 2026, and further increases might be needed to fund additional capital improvements.

REQUESTS FOR INFORMATION

This discussion and analysis is designed to provide a general overview of the District's activities for the year ended December 31, 2025. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Pinewood Springs Water District, 183 Cree Court, Lyons, CO 80540.

PINEWOOD SPRINGS WATER DISTRICT

STATEMENT OF NET POSITION

December 31, 2025	Water Activity Enterprise Fund	Water Debt Service Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 65,933	$ -	$ 65,933
Accounts receivable	195,495	-	195,495
Unrequisitioned project funds from CWRPDA	1,051,628	-	1,051,628
Property taxes receivable	-	192,771	192,771
Total Current Assets	1,313,056	192,771	1,505,827
Capital Assets:			
Land and water rights	306,171	-	306,171
Construction-in-process	1,074,667	-	1,074,667
Other capital assets, net of accumulated depreciation	1,805,641	466,939	2,272,580
Total Capital Assets	3,186,479	466,939	3,653,418
Other Assets:			
Investments - restricted for debt service	214,715	-	214,715
Prepaid items	17,366	-	17,366
Debt issuance costs	24,047	-	24,047
Total Other Assets	256,128	-	256,128
TOTAL ASSETS	$ 4,755,663	$ 659,710	$ 5,415,373
LIABILITIES			
Current Liabilities:			
Accounts payable	259,011	-	259,011
Accrued interest	43,567	-	43,567
Current portion of long-term debt	157,163	-	157,163
Total Current Liabilities	459,741	-	459,741
Long-Term Liabilities:			
Loans payable	3,403,011	-	3,403,011
TOTAL LIABILITIES	3,862,752	-	3,862,752
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	-	192,771	192,771
NET POSITION			
Net investment in capital assets	677,933	466,939	1,144,872
Unrestricted net position	214,978	-	214,978
TOTAL NET POSITION	$ 892,911	$ 466,939	$ 1,359,850

See Accompanying Notes to Financial Statements.

PINEWOOD SPRINGS WATER DISTRICT

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31	Water Activity Enterprise Fund	Water Debt Service Fund	Total
Operating Revenue:			
Water billings	$ 333,062	$ 87,405	$ 420,467
System improvement fees	291,100	-	291,100
Total Operating Revenue	624,162	87,405	711,567
Operating Expenses:			
Administration	150,295	4,392	154,687
Water operating expenses	829,339	-	829,339
Total Operating Expenses	979,634	4,392	984,026
Operating loss	(355,472)	83,013	(272,459)
Non-operating Revenues (Expenses):			
Property taxes	-	219,198	219,198
Grant revenue	186,671	-	186,671
Interest expense	-	(117,761)	(117,761)
Specific ownership taxes	14,969	-	14,969
Interest income	11,181	-	11,181
Total Non-operating Revenues	212,821	101,437	314,258
Income (loss) Before Contributions	(142,651)	184,450	41,799
Capital contributions	-	-	-
Change in Net Position	(142,651)	184,450	41,799
Net Position, Beginning of Year	1,035,562	282,489	1,318,051
Net Position, End of Year	$ 892,911	$ 466,939	$ 1,359,850

See Accompanying Notes to Financial Statements.

PINEWOOD SPRINGS WATER DISTRICT

STATEMENT OF CASH FLOWS

Year Ended December 31, 2025	Water Activity Enterprise Fund	Water Debt Service Fund	Total
Cash Flows from Operating Activities:			
Cash receipts from customers	$ 502,831	$ 87,405	$ 590,236
Payments to suppliers and employees	(593,981)	(4,392)	(598,373)
Net Cash Provided (Used) by Operating Activities	(91,150)	83,013	(8,137)
Cash Flows from Capital and Related Financing Activities:			
Grant proceeds	186,671	-	186,671
Proceeds from long-term debt	1,247,565	-	1,247,565
Principal payment on debt	(461,226)	(161,902)	(623,128)
Interest paid on debt	-	(117,761)	(117,761)
Acquisition of property, plant and equipment	(958,176)	-	(958,176)
Net Cash Used by Capital and Related Financing Activities	14,834	(279,663)	(264,829)
Cash Flows from Noncapital Financing Activities:			
Specific ownership taxes	14,969	-	14,969
Property taxes	-	219,198	219,198
Net Cash Provided by Noncapital Financing Activities	14,969	219,198	234,167
Cash Flows from Investing Activities:			
Interest income received	11,181	-	11,181
Sale of investments	72,895	-	72,895
Net Cash Provided by Investing Activities	84,076	-	84,076
Net Increase in Cash and Cash Equivalents	22,729	22,548	45,277
Cash and Cash Equivalents, Beginning of Year	20,656	-	20,656
Cash and Cash Equivalents, End of Year	$ 43,385	$ 22,548	$ 65,933
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating gain (loss)	$ (355,472)	$ 83,013	$ (272,459)
Depreciation and amortization	201,716	-	201,716
Change in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(118,541)	-	(118,541)
Prepaid items	(1,395)	-	(1,395)
Increase (decrease) in:			
Accounts payable and accrued expenses	182,542	-	182,542
Net Cash Provided (Used) by Operating Activities	$ (91,150)	$ 83,013	$ (8,137)
Supplemental Disclosures of Cash Flow Information:			
Noncash Financing and Investing Activities:			
Capital asset purchases via accounts payable	$ 65,837	-	65,837

See Accompanying Notes to Financial Statements.

NOTE 1 – Summary of Significant Accounting Policies:

This summary of the Pinewood Springs Water District's significant accounting policies is to assist the reader with interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

Form of Organization:

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

Scope of Reporting Entity:

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

Financial Reporting Entity:

For financial reporting purposes, management has considered all potential component units in defining the District. The basic criterion for including a potential component unit is the District's ability to exercise significant operational control or financial accountability with the District. Financial relationship or operational control is determined on the basis of the District's obligation to fund deficits, responsibility for debt, budgetary authority, fiscal management, selection of governing authority and/or management, and the ability to significantly influence operations.

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

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Basis of Accounting:

The District currently operates as an "Enterprise Fund" as prescribed in governmental accounting standards because the intent of the Board is that costs and expenses (including depreciation) of providing services to its customers be financed or recovered primarily through user charges. The accrual basis of accounting is utilized for its operations. The District does not use encumbrance accounting.

The District reports the following major proprietary funds:

The Water Enterprise Fund accounts for user charges and expenses for operating, financing and maintaining the District's water system.

The Water Debt Service Fund accounts for debt redemption property taxes received which are levied to service the debt payments. This fund was established in 2023.

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

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

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

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Capital Assets:

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

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

Cash Equivalents:

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

Property Taxes:

Property taxes are levied in December and attach an enforceable lien on property as of January 1 of the same year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. The District uses the Larimer County Treasurer to bill and collect its property taxes. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be negligible. Taxes levied in December 2025 are recorded as taxes receivable and deferred revenue as of December 31, 2025.

The original January 1, 2025 levy for the District was 14.542 mills or approximately $219,619.

Deferred Inflows of Resources:

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

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Compensated Absences:

In 2024, Pinewood Springs implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB 101 establishes standards for recognizing and measuring liabilities and expenses related to compensated absences, including vacation leave, sick leave, and other paid time off. The impact of the adoption was not material to the financial statements and no restatement of beginning net position was made.

GASB 101 requires the recognition of a liability for compensated absences that are attributable to services already rendered, based on established policies and applicable laws. The liability is measured using the pay or salary rates in effect at the financial reporting date. Liabilities are recognized only for compensated absences that are expected to result in payments to employees (e.g., cash payouts, leave used during employment, or other settlements).

Pinewood Springs has evaluated the requirements of GASB Statement No 101, *Compensated Absences*, and determined that the impact of these requirements is immaterial to the financial statements for the current reporting period. As a result, no additional recognition or disclosures related to compensated absences have been included in these financial statements.

Budgets:

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

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

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

During 2025, the District overspent its budget amount for the debt service fund, which may be a violation of state budget law.

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Tap Fees and Contributed Lines:

Tap fees are recorded as non-operating revenue when received. Lines contributed to the District by developers, if any, are recorded as non-operating revenue and additions to the system at the developer's cost.

NOTE 2 – Cash and Investments:

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

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

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

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

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The District does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in the statutes.

At December 31, 2025, the District had invested $214,715 in the Colorado Local Government Liquid Asset Trust (COLOTRUST PLUS+), an investment vehicle established for local government entities in Colorado to pool surplus funds. The investment pool is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments are valued at the net asset value (NAV) with each share valued at $1.00. COLOTRUST PLUS+ is rated AAAm by S&P Global Ratings. The District's interest is valued at NAV.

NOTE 2 – Cash and Investments - Continued:

COLOTRUST PLUS+ portfolios may invest in U.S. Treasury securities, certain approved obligations of agencies of the U.S. government, commercial paper rated in the highest rating category, corporate securities rated at least AA-/Aa3, certain money market funds registered as an investment company under the Federal Investment Company Act of 1940 and written repurchase agreements collateralized by U.S. Treasury securities or certain approved obligations of U.S. government agencies. The dollar weighted average days to maturity (WAM) of COLOTRUST PLUS+ at December 31, 2025, was 41 days and the weighted average life (WAL) was 81 days.

NOTE 3 – Capital Assets:

	Balance 1/1/25	Additions	Deletions	Balance 12/31/25
Not depreciated:				
Land and water rights	$ 306,171	$ --	$ --	$ 306,171
Construction in progress	129,898	944,770	--	1,074,668
Depreciable capital assets:				
Equipment	147,994	--	--	147,994
Collection and distribution system	1,541,626	13,406	12,825	1,542,207
Water treatment plant	552,882	--	--	552,882
Reservoir	4,022,719	--	--	4,022,719
Vehicles	126,310	--	--	126,310
	6,827,600	958,176	12,825	7,771,951
Less Accumulated Depreciation	3,930,642	201,716	12,825	4,119,533
Net Capital Assets	$ 2,896,958	$ 756,460	$ --	$ 3,653,418

NOTE 4 – Risk Management:

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors and omissions, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization composed of approximately 2,000 members created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials' liability, and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability and public officials' coverage for claims up to $1,000,000.

NOTE 5 – Water Loans and Line of Credit:

December 31	2025
$2,811,689, Series 2005 loan from Colorado Water Conservation Board, due in varying annual installments through 2040, average interest rate at 4.0%. Debt service reserve requirement of $162,600 is held in restricted investments.	$ 1,717,566
$752,425, Series 2006 Colorado Water Resources and Power Development Authority loan, due in annual installments through 2026, at 3.5% interest.	25,862
$1,837,519, Series 2025 Colorado Water Resources and Power Development Authority loan, due in annual installments though 2054, at 3.50%. Debt service reserve requirement of $110,226 is held in restricted investments. As of December 31, 2025, $785,891 had been requisitioned from this loan. There is an additional $1,051,628 remaining with CWRPDA that will be requisitioned in future years.	1,816,298
Total Water Debt	$ 3,559,726

The annual requirements to amortize these loans as of December 31, 2025 are as follows:

Year Ending December 31	Principal	Interest	Total
2026	$ 156,714	$ 132,405	$ 289,119
2027	135,914	126,892	262,806
2028	141,171	121,635	262,806
2029	146,632	116,174	262,806
2030	152,304	110,501	262,805
2031 – 2035	854,624	459,404	1,314,028
2036 – 2040	870,763	280,664	1,151,427
2041 – 2045	333,688	167,338	501,026
2046 – 2050	396,904	104,123	501,027
2051 – 2054	371,012	29,809	400,821
	$ 3,559,726	$ 1,648,945	$ 5,208,671

The District obtained a $250,000 line of credit in July 2025 with the Bank of Estes Park. The line of credit bears interest at Wall Street Journal plus 1.5%. As of December 31, 2025, the interest on the line of credit was 8.25%. Funding was used to help pay for expenses related to the large capital project prior to the District being able to submit reimbursement for expenses on either its new loan with CWRPDA or the new grant received.

NOTE 5 – Water Loans and Line of Credit- continued:

Collateral includes proceeds from the State Revolving Funds loan and Energy Impact Assistance Fund Grant. The line of credit was renewed for $250,000 and matures on July 31, 2026. As of December 31, 2025, the balance was $448.

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

	Balance, 1/1/25	Additions	Retirements	Balance, 12/31/25	Due Within One Year
2005 CWCB Loan	$ 1,807,852	$ --	$ 90,286	$ 1,717,566	$ 93,897
2006 CWRPDA Loan	76,257	--	50,395	25,862	25,862
2025 CWRPDA Loan	--	1,837,519	21,221	1,816,298	36,955
Line of Credit	--	461,714	461,266	448	448
	$ 1,884,109	$2,299,233	$623,168	$ 3,560,174	$157,163

NOTE 6 – Commitments and Contingencies:

In 1992, the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from District enterprise activities. In 2003, the electors of the District voted to supersede TABOR and to collect, retain, and expend the full proceeds of all taxes, fees, and other revenue. The District believes it is in compliance with the requirements of TABOR.

In August 2024, the District received a Drinking Water Enforcement Order from the Colorado Department of Public Health & Environment (CDPHE) citing violations related to elevated levels of haloacetic acids (HAA5 MCL), and total trihalomethanes (TTHM MCL), which exceeded drinking water quality standards. The District has submitted a Water Enforcement Development Plan to Return to Compliance addressing these unresolved violations and continues to provide quarterly progress reports to CDPHE. While some violations have since been rescinded, permanent plant improvements will likely be required to fully resolve the remaining issues and achieve compliance.

In August 2025, following the transition of the water source from the river to the reservoir, the District began experiencing water quality issues related to manganese. The District operations team, in partnership with Merrick Engineering team, is working with CDPHE to review and approve a demonstration treatment system for the removal of iron, manganese, and total organic carbon (TOC).

SUPPLEMENTARY INFORMATION

PINEWOOD SPRINGS WATER DISTRICT

Schedule of Revenue and Expenses - Water Activity Enterprise Fund Compared with Budget (Non-GAAP Budget Basis)

Year Ended December 31, 2025	Actual	Original and Final Budget	Variance
Revenue:			
Water billings	$ 333,062	$ 328,797	$ 4,265
System improvement fees	291,100	173,952	117,148
Non-operating revenues:			
State Operating Grants	186,671	1,000,000	(813,329)
Specific Ownership taxes	14,969	9,000	5,969
Interest income	11,181	14,000	(2,819)
Total Revenue	836,983	1,525,749	(688,766)
Expenses:			
Operating Expenses:			
Payroll expense, taxes, and benefits	91,602	79,070	(12,532)
Legal Fees	16,747	-	(16,747)
Water Hauling	21,998	-	(21,998)
Water Rights	16,588	-	(16,588)
Repairs and maintenance	183,844	132,000	(51,844)
Contract labor	-	3,000	3,000
Supplies and chemicals	21,102	20,000	(1,102)
Telephone and internet	1,479	1,500	21
Utilities	26,233	25,900	(333)
Vehicle	845	15,551	14,706
Water storage and testing	23,405	6,110	(17,295)
Wolf Compliance	173,349	111,000	(62,349)
Dues and training	1,800	4,000	2,200
Miscellaneous	48,631	-	(48,631)
Property mitigation	-	2,000	2,000
General and administrative:			
Board	4,800	8,500	3,700
Payroll expense, taxes, and benefits	76,552	56,000	(20,552)
Professional Fees	33,234	35,000	1,766
Advertising and promotion	167	300	133
Office supplies and postage	8,285	3,000	(5,285)
Contract labor	-	2,000	2,000
Mileage	300	500	200
Insurance	18,761	33,860	15,099
Telephone	1,570	1,500	(70)
Bank charges	3,071	250	(2,821)
Dues	1,969	4,500	2,531
Education and training	208	1,500	1,292
Miscellaneous	1,378	18,000	16,622
Capital expenditures	-	2,862,000	2,862,000
Total Expenses	777,918	3,427,041	2,649,123
REVENUES OVER EXPENSES - BUDGET BASIS	$ 59,065	$ (1,901,292)	$ 1,960,357

PINEWOOD SPRINGS WATER DISTRICT

Schedule of Revenue and Expenses - Water Debt Service Fund Compared with Budget (Non-GAAP Budget Basis)

Year Ended December 31, 2025	Actual	Original and Final Budget	Variance
Revenue:			
Property taxes	$ 219,198	$ 218,260	$ 938
Debt service portion of water billings	87,405	-	87,405
Total Revenue	306,603	218,260	88,343
Expenses:			
County treasurer's fee	4,392	4,000	(392)
Loan payments	279,664	218,260	(61,404)
Total Expenses	284,056	222,260	(61,796)
REVENUES OVER EXPENSES - BUDGET BASIS	$ 22,547	$ (4,000)	$ 26,547