FOUNTAIN VALLEY AUTHORITY

(A Component Unit of the
City of Colorado Springs, Colorado)

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended
December 31, 2025 and 2024

FOUNTAIN VALLEY AUTHORITY

(A Component Unit of the City of Colorado Springs, Colorado)

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As of and for the Years Ended December 31, 2025 and 2024

Note: Immaterial differences may occur due to rounding

INDEPENDENT AUDITORS' REPORT

To Management and the Board of Directors
Fountain Valley Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fountain Valley Authority, a component unit of the City of Colorado Springs, Colorado, which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fountain Valley Authority, as of December 31, 2025 and 2024, and the changes in its net position and its cash flows 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 our report. We are required to be independent of the Fountain Valley Authority 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 Fountain Valley Authority'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fountain Valley Authority'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 Fountain Valley Authority'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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hoelting & Company Inc.

Colorado Springs, Colorado
March 16, 2026

FOUNTAIN VALLEY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025 and 2024
(Unaudited)

INTRODUCTION

The following Management's Discussion and Analysis serves as an introduction to the financial statements of Fountain Valley Authority ("Authority"). It is intended to be an objective and easily readable analysis of significant financial and operating activities and events for the fiscal years ended December 31, 2025 and 2024. It also provides an overview of the Authority's general financial condition and results of operations. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America as applied to units of local government and promulgated by the Governmental Accounting Standards Board.

The Authority is a water authority, political subdivision, and a public corporation of the State of Colorado. It was formed primarily to 1) construct and operate a water treatment plant for the purpose of treating water for its customers and 2) operate a pipeline, the Fountain Valley Conduit ("Conduit"), that conveys raw water from the Pueblo Reservoir and Dam in Pueblo, Colorado to the water treatment plant located approximately 17 miles south of Colorado Springs, Colorado, and treated water from the water treatment plant to the Authority's customers. The customers of the Authority, each of which owns and operates a water system or joint utility system, are the City of Colorado Springs, the City of Fountain, Security Water District, Stratmoor Hills Water District, and Widefield Water and Sanitation District.

FINANCIAL STATEMENTS

The Authority's annual report includes three financial statements with accompanying notes that are an integral part of these financial statements. The financial statements include: 1) Statements of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, and 3) Statements of Cash Flows. These statements provide both long-term and short-term information about the overall status of the Authority. They are presented to demonstrate the extent the Authority has met its operating objectives efficiently and effectively using all the resources available and whether the Authority can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting. Comparative total data for the prior year has been presented in order to provide an understanding of changes in the Authority's financial position and operations.

Statements of Net Position - These statements report net position as the difference between 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources as of the end of each fiscal year. Assets are separated into current and noncurrent categories and are reported in the order of liquidity. Deferred outflows of resources are the consumption of net assets in one period that are applicable to future periods. Liabilities are separated into current and noncurrent categories. Deferred inflows of resources are the acquisition of net assets that are applicable to future reporting periods. The components of net position are classified as net investment in capital assets, restricted, and unrestricted.

Statements of Revenues, Expenses, and Changes in Net Position - These statements measure the activities for the year and can be used to determine whether the rates, fees, and other charges are adequate to recover expenses. All revenues and expenses are accounted for in these statements for the years ended December 31.

Statements of Cash Flows - These statements report all cash receipts and payments summarized by net changes in cash from operating, noncapital financing, capital and related financing, and investing activities for the years ended December 31. These statementas are prepared using the direct method, which reports gross cash receipts and payments and presents a reconciliation of operating income to net cash provided by operating activities. These statements also separately list the noncash investing, capital, and related financing activities.

Notes to Financial Statements - Notes provide additional detailed information and required disclosure in support of the financial statements.

CONDENSED FINANCIAL STATEMENTS

Condensed financial statements with comparative information as of December 31:

CONDENSED STATEMENTS OF NET POSITION

	2025	2024	Variance	Percent Variance
Assets				
Current	$ 30,952,406	$ 24,482,072	$ 6,470,334	26.4%
Noncurrent:				
Other	305,627	291,354	14,273	4.9%
Capital Assets, net	51,164,273	51,461,758	(297,485)	-0.6%
Total Noncurrent Assets	51,469,900	51,753,112	(283,212)	-0.5%
Total Assets	$ 82,422,306	$ 76,235,184	$ 6,187,122	8.1%
Liabilities				
Current	$ 548,629	$ 1,140,770	$ (592,141)	-51.9%
Total Liabilities	548,629	1,140,770	(592,141)	-51.9%
Net Position				
Net Investment in Capital Assets	51,164,273	51,461,758	(297,485)	-0.6%
Restricted	305,627	291,354	14,273	4.9%
Unrestricted	30,403,777	23,341,302	7,062,475	30.3%
Total Net Position	81,873,677	75,094,414	6,779,263	9.0%
Total Liabilities and Net Position	$ 82,422,306	$ 76,235,184	$ 6,187,122	8.1%

Capital assets, net decreased approximately $297,000 or 0.6% from the prior year primarily due to an increase in accumulated depreciation of $1.5 million and an increase in plant in service of $2.0 million, offset by a decrease in construction work in progress of $886,000. Current liabilities decreased by approximately $592,000 or 51.9% from the prior year due to a decrease in accounts payable. As a result of these activities, net investment in capital assets decreased approximately $297,000 or 0.6%.

FOUNTAIN VALLEY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2025 and 2024
(Unaudited)

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2025	2024	Variance	Percent Variance
Operating Revenues	$ 14,483,203	$ 14,223,778	$ 259,425	1.8%
Operating Expenses	8,482,876	9,917,509	(1,434,633)	-14.5%
Operating Income	6,000,327	4,306,269	1,694,058	39.3%
Nonoperating Revenues and Expenses	778,936	511,314	267,622	52.3%
Changes in Net Position	6,779,263	4,817,583	1,961,680	40.7%
Net Position, January 1	75,094,414	70,276,831	4,817,583	6.9%
Net Position, December 31	$ 81,873,677	$ 75,094,414	$ 6,779,263	9.0%

Operating revenues increased approximately $259,000 or 1.8% due to an increase in water treatment charges.

Operating expenses decreased by approximately $1,435,000 or 14.5% in 2025. This decrease is primarily due to a decrease in administration and general expenses of $1,875,000, offset by an increase in production and treatment expenses of approximately $318,000.

Nonoperating revenues and expenses increased by approximately $268,000 or 52.3% which was primarily driven by an increase in investment income of $295,000.

CAPITAL ASSETS

Capital assets with comparative information as of December 31:

	2025	2024	Variance	Percent Variance
Plant in service	$ 18,326,435	$ 17,729,175	$ 597,260	3.4%
Property under lease	77,282,869	75,836,727	1,446,142	1.9%
Construction work in progress	698,942	1,584,996	(886,054)	-55.9%
Accumulated depreciation	(45,143,973)	(43,689,140)	(1,454,833)	-3.3%
Total Capital Assets (net of accumulated depreciation)	$ 51,164,273	$ 51,461,758	$ (297,485)	-0.6%

Capital asset projects during the current year include improvements to facilities and infrastructure and replacements related to the leased assets.

The Authority assessed its aging infrastructure and has identified and planned projects for needed replacements. In 2020, the Authority established a Projects Fund reserve account to fund these projects in future years in lieu of issuing debt. The Projects Fund balance was $25,276,161 and $17,030,530 as of December 31, 2025 and 2024, respectively.

Use of the project fund is governed by a "Projects Fund Guidelines" established by the Board of Directors ("Board") in 2022. An accrual of $55 million will be targeted and monitored by the Board through annual and long-term planning processes. This target was established and based on the Fountain Valley Water Treatment Plan Report and may be adjusted by the Board as necessary.

FINANCIAL HIGHLIGHTS AND OUTLOOK

The Authority’s overall financial position remains strong as of December 31, 2025 and for the year then ended. Operating revenues and expenses in 2026 are anticipated to be similar compared to 2025.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, creditors, and other financial users with a general overview of the Authority’s finances. If you have questions about this report or need additional financial information, contact the Accounting Department of Colorado Springs Utilities, P.O. Box 1103, Mail Code 929, Colorado Springs, CO 80947-0929.

FOUNTAIN VALLEY AUTHORITY

STATEMENTS OF NET POSITION
As of and for the Years Ended December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents-unrestricted	$ 28,651,133	$ 22,959,709
Accounts receivable	2,063,597	1,207,580
Inventories	237,676	314,783
Total Current Assets	**30,952,406**	**24,482,072**
Noncurrent Assets		
Cash and cash equivalents-restricted	305,627	291,354
Capital assets:		
Land	65,147	65,147
Plant in service	95,544,157	93,500,755
Construction work in progress	698,942	1,584,996
Accumulated depreciation	(45,143,973)	(43,689,140)
Total Capital Assets (net of accumulated depreciation)	51,164,273	51,461,758
Total Noncurrent Assets	**51,469,900**	**51,753,112**
Total Assets	**$ 82,422,306**	**$ 76,235,184**
Liabilities		
Current Liabilities		
Accounts payable	$ 548,629	$ 1,140,740
Accrued interest	-	30
Total Current Liabilities	**548,629**	**1,140,770**
Total Liabilities	**548,629**	**1,140,770**
Net Position		
Net investment in capital assets	51,164,273	51,461,758
Restricted	305,627	291,354
Unrestricted	30,403,777	23,341,302
Total Net Position	**81,873,677**	**75,094,414**
Total Liabilities and Net Position	**$ 82,422,306**	**$ 76,235,184**

The accompanying notes are an integral part of these statements.

FOUNTAIN VALLEY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Water treatment charges	$ 14,483,203	$ 14,223,778
Total Operating Revenues	**14,483,203**	**14,223,778**
Operating Expenses		
Production and treatment	3,225,421	2,907,158
Purchased water for resale	457,975	440,538
Transmission and distribution	630,380	541,326
Maintenance	1,143,501	1,199,379
Administration and general	1,534,812	3,410,036
Depreciation	1,490,787	1,419,072
Total Operating Expenses	**8,482,876**	**9,917,509**
Operating Income	**6,000,327**	**4,306,269**
Nonoperating Revenues and Expenses		
Investment income	775,073	480,132
Other revenues	15,583	31,420
Other expenses	(11,720)	-
Interest expense	-	(238)
Total Nonoperating Revenues and Expenses	**778,936**	**511,314**
Changes in Net Position	**6,779,263**	**4,817,583**
Total Net Position, January 1	**75,094,414**	**70,276,831**
Total Net Position, December 31	**$ 81,873,677**	**$ 75,094,414**

The accompanying notes are an integral part of these statements.

FOUNTAIN VALLEY AUTHORITY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Receipts from customers and users	$ 13,627,187	$ 14,802,424
Other cash receipts	(7,411,847)	(8,027,918)
Payments to suppliers	15,583	31,420
Net Cash Provided by Operating Activities	**6,230,923**	**6,805,926**
Net Cash Used in Noncapital Financing Activities	**-**	**-**
Cash Flows from Capital and Related Financing Activities		
Capital expenditures	(1,300,269)	(1,294,747)
Repayment of long-term debt	-	(196,113)
Interest payments on long-term debt	(30)	(357)
Net Cash Used in Capital and Related Financing Activities	**(1,300,299)**	**(1,491,217)**
Cash Flows from Investing Activities		
Interest received on investments	775,073	480,134
Net Cash Provided by Investing Activities	**775,073**	**480,134**
Increase in Cash and Cash Equivalents	5,705,697	5,794,843
Cash and Cash Equivalents, January 1	23,251,063	17,456,220
Cash and Cash Equivalents, December 31	**$ 28,956,760**	**$ 23,251,063**
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Cash and cash equivalents	$ 28,651,133	$ 22,959,709
Restricted cash and cash equivalents	305,627	291,354
Total Cash and Cash Equivalents	**$ 28,956,760**	**$ 23,251,063**

The accompanying notes are an integral part of these statements.

FOUNTAIN VALLEY AUTHORITY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 6,000,327	$ 4,306,268
Adjustments to operating income:		
Depreciation	1,490,787	1,419,072
Other revenue	15,583	31,420
(Increase) Decrease in Assets		
Accounts receivable	(856,016)	578,647
Inventories	77,107	13,654
Increase (Decrease) in Liabilities		
Accounts payable	(496,865)	456,865
Net Cash Provided by Operating Activities	**$ 6,230,923**	**$ 6,805,926**
Noncash Investing, Capital and Related Financing Activities:		
Adjustment of lease balance	$ -	$ 42,767
Noncash acquisition of capital assets (change in incurrence of accounts payable)	-	42,767

The accompanying notes are an integral part of these statements.

FOUNTAIN VALLEY AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2025 and 2024

NOTE 1 - FINANCIAL REPORTING ENTITY

Fountain Valley Authority ("Authority") is a water authority, political subdivision, and a public corporation of the State of Colorado. It was formed July 10, 1979, pursuant to the constitution and to statutes of the State of Colorado. The City of Colorado Springs ("City"), the City of Fountain, Security Water District, Stratmoor Hills Water District, and Widefield Water and Sanitation District represent the member governments and customers of the Authority. Each customer of the Authority owns and operates a water system or joint utility system.

The Authority is a component unit of the City. The accompanying financial statements present only the Authority. The financial statements do not purport to, and do not present the financial position of the City or other member governments of the Authority. The Authority has no component units.

The Authority was formed to finance, construct, and operate a water treatment plant for the purpose of treating raw water received through the Fountain Valley Conduit ("Conduit") pursuant to the Conveyance Service Subcontract with the Southeastern Colorado Water Conservancy District ("District") and delivering such treated water to its customers. The water is delivered to the water treatment plant and then to the customers by means of the Conduit primarily pursuant to a contract dated July 10, 1979 between the United States Department of the Interior, Bureau of Reclamation ("Bureau"), and the District for conveyance service from the Conduit.

The Authority treats the water delivered to the water treatment plant on behalf of the Authority's customers and charges its customers for that water treatment. In addition, the Authority charges its customers for services other than water treatment associated with 1) the Establishing Contract between the Bureau and the District, dated January 21, 1965, for repayment of reimbursable costs of the Fryingpan-Arkansas ("Fry-Ark") Project and 2) the Conveyance Service Contract dated August 22, 1985 between the Authority and the District for transfer of operations of the Conduit.

Most of the water delivered to the water treatment plant on behalf of the customers is Fry-Ark water purchased by the customers from the District. Fry-Ark water supplied by the District to the customers is billed through the Authority; the District pays the monies it receives from Fry-Ark water to the Bureau. Each customer's allocated share in the capacity of the Conduit is expressed in acre-feet and as a percentage, as set forth below (at full capacity):

	Acre-Feet(1)	Percentage
City of Colorado Springs	14,353	71.41%
City of Fountain	2,000	9.95%
Security Water District	1,646	8.19%
Widefield Water and Sanitation District	1,500	7.46%
Stratmoor Hills Water District	601	2.99%
Total	20,100	100.00%

(1) 1 acre-foot = 325,851 gallons

The Authority is under the direction of a Board of Directors (“Board”) or (“Directors”) consisting of eight persons appointed by the member governments they represent for three year terms. Individuals may serve as Directors for consecutive terms without limit. The Establishing Contract specifies that the Board is made up of four members designated by the City, one designated by the City of Fountain, one designated by the Security Water District, one designated by the Stratmoor Hills Water District, and one designated by the Widefield Water and Sanitation District.

Any action by the Authority requires the affirmative vote of no less than five Directors. In the event all of the members of the Authority are present and there is a tie vote on a matter being considered for action, the Establishing Contract provides that a “weighted vote” may be taken and each Director’s vote will be given the proportion which “the total amount of water contributed to the Authority by the government appointing such Director divided by the number of Directors appointed by such government” bears to “the total amount of all water contributed to the Authority by all governments.”

Colorado Springs Utilities (“Utilities”), created by the home rule charter of the City, consists of a water system and other systems designated in accordance with the charter of the City. The Authority and Utilities entered into a management agreement in which Utilities agreed to provide all necessary personnel for the operation and maintenance of the Conduit, its pumping stations, and the water treatment plant. In addition, Utilities agreed to provide all of the services required for the operation and maintenance of the Conduit pursuant to the terms of the Conveyance Service Subcontract. All of the costs incurred by Utilities in providing the necessary personnel, equipment, and facilities for the performance of the obligations assumed by Utilities are reimbursed by the Authority pursuant to billings by Utilities on a monthly basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Authority’s accounting records are maintained and the accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP”) as applied to units of local government and promulgated by the Governmental Accounting Standards Board (“GASB”). Consolidated 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 flows. Conveyance and water treatment charges are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB 62 (“GASB 100”) is effective for fiscal years beginning after June 15, 2023. This Statement is meant to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. We assessed the implementation of GASB 100 and determined that it requires a statement at the bottom of the financial statements. In addition, the implementation of all future accounting pronouncements will require restatements in accordance with this GASB. The Authority adopted and implemented GASB 100 for fiscal year ended December 31, 2024.

GASB Statement No. 102, Certain Risk Disclosures (“GASB 102”), is effective for fiscal years beginning after June 15, 2024. GASB 102 requires disclosures of essential information about risks related to vulnerabilities due to certain concentrations or constraints. GASB 102 defines concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources and constraint as a limitation imposed by an external party or by formal action from the highest level of decision-making authority. The Authority adopted and implemented GASB 102 for fiscal year ended December 31, 2025.

GASB Statement No. 103, Financial Reporting Model Improvements ("GASB 103"), is effective for fiscal years beginning after June 15, 2025. By improving the financial reporting model, GASB 103 aims to enhance the relevance, clarity, and consistency of governmental financial reports. This statement introduces changes to fund balance classifications, reporting criteria for major funds, and disclosures of key financial assumptions. The Authority is currently assessing the adoption of GASB 103 and the impact it will have on the financial statements.

GASB Statement No. 104, Disclosure for Certain Capital Assets ("GASB 104"), is effective for fiscal years beginning after June 15, 2025. GASB 104 requires disclosures about certain capital assets, focusing on restrictions, risks, and conditions that may affect their use, value, or service potential. The statement is intended to provide users of financial statements with a better understanding of the financial and operational implications of these assets. The Authority is currently evaluating the adoption of GASB 104 and its impact on the financial statements.

GASB Statement No. 105, Subsequent Events ("GASB 105"), was issued in December 2025 and is effective for fiscal years beginning after June 15, 2026. This Statement defines subsequent events, modifies the subsequent events time frame, and requires the date through which subsequent events have been evaluated to be disclosed. The Authority is currently evaluating the adoption of GASB 105 and its impact on the financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions.These estimates affect the reported amounts of assets, liabilities, 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 may differ from those estimates.

FINANCIAL STATEMENT PRESENTATION

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the reporting entity’s financial position and operations.

DEPOSITS

For purposes of the Statements of Cash Flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

Authority’s cash and cash equivalents are considered to be cash on hand and demand deposits.

RECEIVABLES AND PAYABLES

Accounts receivable as of December 31, 2025 and 2024, includes amounts due from customers and related parties. Accounts payable includes amounts payable to Utilities, a related party. Outstanding balances between the Authority and the City are reported as “Due to or Due from other City funds.” Management does not believe an allowance for doubtful accounts is necessary at December 31, 2025 and 2024.

INVENTORIES AND PREPAID EXPENSES

Inventories are valued at average cost. The cost of inventories is recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

RESTRICTED ASSETS

Authority's loan and lease agreements require the creation and funding of individual reserve funds. Refer to Note 4 for more information on different reserve funds.

CAPITAL ASSETS

Plant is stated at cost. For constructed plant, cost includes contracted services, direct labor and materials. The cost of additions to plant and replacement units of property in excess of $5,000 are capitalized. Maintenance costs and replacement of minor items of property are charged to expense as incurred.

The Authority performed an assessment of its legal obligations to perform future asset retirement activities related to its tangible capital assets and determined there are no material obligations as of December 31, 2025 and 2024. An annual assessment will be performed, and any future material obligations will be recorded in the period they are identified.

Depreciation is provided by the straight-line method based on estimated service lives of the various assets ranging from 1.0% to 16.7% per annum. The plant consists of a pipeline, pumping stations, and storage reservoirs that originate at the Pueblo, Colorado reservoir and are used to convey water to and from the treatment plant.

COMPENSATED ABSENCES PAYABLE

Employees of Utilities operate and manage the water treatment plant, the conduit and associated pumping stations under an agreement with the Authority. The compensated absences payable for these employees is recorded as a liability by Utilities and not by the Authority. When these employees retire or terminate their employment with Utilities, the compensated absences payable would be paid by Utilities.

NET POSITION

Net Investment in Capital Assets - Represents capital assets net of accumulated depreciation and amortization and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Unspent related debt proceeds are not offset against net position.

Restricted - Represents restrictions placed on net position use through external constraints imposed by creditors, contributors, law or regulations of other governments, law through constitutional provisions, or enabling legislation.

Unrestricted - Represents the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

REVENUES AND EXPENSES

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operation. The sole operating revenues of the fund are conveyance and water treatment charges. Operating expenses include treatment, purchased water, transmission, maintenance, administration, and depreciation expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 3 - DEPOSITS AND INVESTMENTS

DEPOSITS

The Colorado Public Deposit Protection Act requires that financial institutions pledge a single institution pool of collateral against all the uninsured public deposits it holds and the market value of the securities in the pool is required to be in excess of 102.0% of the financial institution’s total uninsured public deposits. The financial institutions in which the Authority has deposits at the end of the year are authorized.

As of December 31, 2025 and 2024, the carrying amount of the Authority’s cash deposits was $16,385,290 and $11,211,048, and the bank balances were $16,712,615 and $11,524,549, respectively. As of December 31, 2025 and 2024, respectively, a portion of the bank balance in the amount of $16,462,615 and $11,274,549 was collateralized as required by Colorado Statutes.

INVESTMENTS

The Authority has adopted an investment policy which establishes the governing authority, objectives, and procedures for the investment of funds of the Authority in accordance with Colorado Revised Statutes. The Authority’s investments are subject to interest rate risk described below.

Interest Rate Risk - The risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from interest rates, the Authority’s practice generally limits investments of unrestricted funds to maturities of two years or less.

The Authority’s investment balances as of December 31:

	2025		2024	
	Fair Value	Weighted Average Maturity (in years)	Fair Value	Weighted Average Maturity (in years)
Local Government Investment Pools	$ 12,571,470	-	$ 12,040,015	-
Total Investments	$ 12,571,470		$ 12,040,015	
Portfolio Weighted Average Maturity		-		-
Reconciliation to Total Cash and Investments				
Add:				
Cash on Hand and in Banks	$ 16,385,290		$ 11,211,048	
Total Cash and Investments	$ 28,956,760		$ 23,251,063	

The Authority has investments in ColoTrust, a local government investment pool. Local government investment pools operate similarly to money market funds. They pool the funds of participating local governments and invest in various securities as permitted under state law. ColoTrust was established pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes.

As of December 31, 2025 and 2024, the Authority had investments of $12,571,470 and $12,040,015, respectively, in the ColoTrust PLUS+ fund (“PLUS+”). PLUS+ is marked-to-market daily and seeks to maintain a stable net asset value (“NAV”) of $1.00 per share. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Securities settle through the Federal Reserve Bank (“Fed”) but are held at the custodial bank. Most investments in PLUS+ trade/settle through the Depository Trust Company (“DTC”) rather than the Fed, as the DTC trades and settles most commercial paper. The custodian’s internal records identify the investments owned by the fund. Investments of the fund consist of U.S. Treasury securities, Federal instrumentality securities, agency securities, repurchase agreements, tri-party repurchase agreements, collateralized bank deposits, and commercial paper. The Repurchase Agreements between ColoTrust and the various approved counterparties require that the aggregate market value of all purchased securities from any counterparty be overcollateralized by at least 102.0% of the purchase price. Collateralized bank deposits are collateralized at 102.0% of fair market value under the provisions of the Public Depository Protection Act.

NOTE 4 - CASH AND CASH EQUIVALENTS

RECONCILIATION TO CASH AND CASH EQUIVALENTS

The deposits and investments above reconcile to cash and cash equivalents reported on the Statements of Net Position as of December 31:

	2025		
	Current	Noncurrent	Total
Deposits and cash on hand	$ 16,079,663	$ 305,627	$ 16,385,290
Local Government Investment Pools	12,571,470	-	12,571,470
Total	$ 28,651,133	$ 305,627	$ 28,956,760

	2024		
	Current	Noncurrent	Total
Deposits and cash on hand	$ 10,919,694	$ 291,354	$ 11,211,048
Local Government Investment Pools	12,040,015	-	12,040,015
Total	$ 22,959,709	$ 291,354	$ 23,251,063

PROJECTS FUND

The Authority assessed its aging infrastructure and has identified and planned projects for needed replacements. In 2020, the Authority established a Projects Fund reserve account to fund these projects in future years in lieu of issuing debt. The Projects Fund balance held in unrestricted cash was $25,276,161 and $17,030,530 as of December 31, 2025 and 2024, respectively.

Use of the project fund is governed by a "Projects Fund Guidelines" established by the Board of Directors ("Board") in 2022. An accrual of $55 million will be targeted and monitored by the Board through annual and long-term planning processes. This target was established and based on the Fountain Valley Water Treatment Plan Report and may be adjusted by the Board as necessary.

RESTRICTED CASH AND CASH EQUIVALENTS

Summary of restricted cash and cash equivalents as of December 31:

	2025	2024
Emergency Reserve Fund	$ 127,712	$ 127,597
Replacement Reserve Fund	177,915	163,757
Total Restricted Cash and Cash Equivalents	$ 305,627	$ 291,354

EMERGENCY RESERVE AND REPLACEMENT RESERVE FUND

The Authority has fulfilled its obligation under the Conveyance Service Subcontract to set aside cash in an Emergency Reserve Fund. Also under the Conveyance Service Subcontract, the Authority is required to make $14,000 annual deposits to the Replacement Reserve Fund. A $14,000 deposit was made to the fund for 2025 in February 2025.

OPERATION AND MAINTENANCE EXPENSE RESERVE FUND

The Authority shall maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the water system as set forth in the annual budget for the current fiscal year but in no event greater than $1,250,000. The loan with the Colorado Water Resources and Power Development Authority ("CWRPDA") was paid in full as of December 31, 2024 and the operations and maintenance reserve funds were transferred to unrestriced cash.

PRINCIPAL AND INTEREST RETIREMENT FUND, LOAN

The fund was established for the payment of the principal and interest on the loan with the CWRPDA. The loan with the CWRPDA was paid in full as of December 31, 2024.

FOUNTAIN VALLEY AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2025 and 2024

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2025:

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025
Non-Depreciable Capital Assets				
Land	$ 65,147	$ -	$ -	$ 65,147
Construction work in progress	1,584,996	1,205,022	(2,091,076)	698,942
Total Non-Depreciable Capital Assets	1,650,143	1,205,022	(2,091,076)	764,089
Depreciable Capital Assets				
Fountain Valley Conduit lease	75,836,727	1,446,142	-	77,282,869
Water treatment plant	15,235,552	346,473	-	15,582,025
Vehicles and transportation equipment	618,310	133,689	-	751,999
Other assets and major equipment	1,199,423	-	(47,674)	1,151,749
Minor Equipment	610,743	164,772	-	775,515
Total Depreciable Capital Assets	93,500,755	2,091,076	(47,674)	95,544,157
Accumulated Depreciation	(43,689,140)	(1,490,787)	35,954	(45,143,973)
Total Plant in Service (net of Accumulated Depreciation)	49,811,615	600,289	(11,720)	50,400,184
Total Capital Assets (net of Accumulated Depreciation)	$ 51,461,758	$ 1,805,311	$ (2,102,796)	$ 51,164,273

Capital assets activity for the year ended December 31, 2024:

	Balance January 1, 2024	Additions	Reductions	Balance December 31, 2024
Non-Depreciable Capital Assets				
Land	$ 65,147	$ -	$ -	$ 65,147
Construction work in progress	744,397	1,405,488	(564,889)	1,584,996
Total Non-Depreciable Capital Assets	809,544	1,405,488	(564,889)	1,650,143
Depreciable Capital Assets				
Fountain Valley Conduit lease	75,569,035	267,692	-	75,836,727
Water treatment plant	15,172,377	63,175	-	15,235,552
Vehicles and transportation equipment	618,310	-	-	618,310
Other assets and major equipment	979,201	220,222	-	1,199,423
Minor Equipment	596,943	13,800	-	610,743
Total Depreciable Capital Assets	92,935,866	564,889	-	93,500,755
Accumulated Depreciation	(42,270,068)	(1,419,072)	-	(43,689,140)
Total Plant in Service (net of Accumulated Depreciation)	50,665,798	(854,183)	-	49,811,615
Total Capital Assets (net of Accumulated Depreciation)	$ 51,475,342	$ 551,305	$ (564,889)	$ 51,461,758

NOTE 6 - TOTAL LONG-TERM DEBT

LOAN PAYABLE

On June 1, 2003, the Authority entered into a loan agreement with the CWRPDA in the amount of $3,221,862 at an interest rate of 3.03%. The final semi-annual payment on the loan was made August 1, 2024. These funds were used to replace the motor controls at the Authority's pump stations.

The loan is to be repaid from and secured by a pledge of all net revenues (revenues after deducting operation and maintenance expenses, but excluding both revenues and expenses pursuant to the Conveyance Service Contract and Conveyance Service Subcontract).

Regarding the loan, the Authority shall maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the water system as set forth in the annual budget for the current fiscal year. The required funds to meet this obligation have been met in 2024 and 2025.

The loan was paid in full as of December 31, 2024 and the Authority has no further obligation under the loan agreement with the CWRPDA.

LEASE PAYABLE

As part of the Fry-Ark Project, the Bureau agreed to construct the Conduit for the purpose of transporting raw water to the customers from the Pueblo Dam and Reservoir approximately 25 miles north to the site of the water treatment plant. From the water treatment plant, the Bureau constructed an additional 13 miles of mainline and 10 miles of laterals to deliver treated water to the customers. Title to the Conduit is in the name of the United States and remains there until otherwise provided by Congress.

The customers agreed to repay the Bureau the reimbursable costs of constructing the Conduit over time, based on each customer's allocated share of the total conveyance capacity of the Conduit, through payment of a conveyance service charge. In the Conveyance Service Contract, the District agreed to charge the conveyance service charge to each customer, based on the conveyance service allocated to each customer (which equates to the customer's participation in the water treatment plant). In addition, in the Conveyance Service Subcontract, the customers agreed to pay a per-acre-foot conveyance service rate to convey non-Fry-Ark water through the Conduit and to pay a water service charge for Fry-Ark water delivered to them by the District. Charges by the District to the customers are billed through the Authority; the District pays the monies it receives to the Bureau. The total minimum lease payment is due from customers in the year before payment is made to the District and is recorded as unearned revenue.

The Authority is required to reimburse actual construction costs of $64,802,810 with interest over 40 years. The amount of lease payments from December 31,1986 through December 31, 2025 varies annually with interest at 3.046% per annum. The Bureau's payout schedule is periodically credited for miscellaneous revenues derived from Fry-Ark excess capacity or exchange contracts executed after July 1, 2007 pursuant to Section 9115 of P.L. 111-11. Miscellaneous revenues for the year ended December 31, 2022 were estimated because the Bureau's payout schedule was not available. The estimated miscellaneous revenues were applied to the outstanding lease payable balance, reducing the lease payable balance to zero as of December 31, 2022, and resulting in miscellaneous revenues of approximately $600,000 for the year ending 2022.

As of December 31, 2022 the conduit lease was paid off. In April 2023, the Authority started working with the District to complete a reconciliation related to the conduit lease. In November 2024, a reconciliation was completed and it was determined that a refund to the partners in the amount $2.6 million was required. The refund was processed as an expense under administrative and general.

The assets acquired through the lease as of December 31:

	2025	2024
Asset:		
Fountain Valley Conduit lease		
Original Plant	$ 58,681,063	$ 58,681,063
Pipeline replacement	5,698,656	5,698,656
Conduit Improvements	12,903,150	11,457,008
Less: Accumulated depreciation	(30,828,817)	(29,693,606)
Total	$ 46,454,052	$ 46,143,121

Summary of the current conveyance service charges:

Customer	Conveyance Service Rate per Acre-Foot
City of Colorado Springs	$ 305.97
City of Fountain	185.60
Security Water District	168.90
Stratmoor Hills Water District	153.84
Widefield Water and Sanitation District	146.31

NOTE 7 - NET POSITION

Net position represents the difference between 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources as of the end of each fiscal year.

	2025	2024
Net Investment in Capital Assets		
Net capital assets	$ 51,164,273	$ 51,461,758
Total Net Investment in Capital Assets	51,164,273	51,461,758
Restricted		
Restricted for emergencies	127,712	127,597
Restricted for replacements	177,915	163,757
Total Restricted	305,627	291,354
Unrestricted	30,403,777	23,341,302
Total Net Position	$ 81,873,677	$ 75,094,414

Summary of the change in amounts invested in capital assets:

	2025	2024
Balance, beginning	$ 51,461,758	$ 51,279,229
Change in capital assets	(297,485)	(13,584)
Change in related debt	-	196,113
Balance, ending	$ 51,164,273	$ 51,461,758

NOTE 8 - COMMITMENTS

WATER TREATMENT CONTRACT

The Authority treats the water delivered to the water treatment plant on behalf of the customers and charges its customers for water treatment under the terms of the Water Treatment Contract. The Authority is required to provide, and the customers are required to pay, for the rights to water treatment.

Purchase and Sale of Water Treatment and Treated Water - The Authority agrees to treat and cause delivery of water to each customer. Each customer agrees to take all actions necessary under the Conveyance Service Contract and Conveyance Service Subcontract to cause delivery to the water treatment plant of all water to be conveyed through the Conduit. The Authority also agrees to treat additional raw water received through the Conduit on behalf of each customer.

Rates - Each customer agrees to pay to the Authority a water treatment availability charge, proportionate to its participation, for the right to receive water treatment. The water treatment availability charge is a “take or pay” charge, payable whether or not a customer requests and receives any treated water. The water treatment availability charge is set at a rate sufficient to 1) provide net revenues in each fiscal year which will equal current fiscal year’s principal installments and interest on loan payments taking into account as net revenues amounts on deposit in the Operation and Maintenance Expense Reserve Fund, 2) to assist in cash funding future replacement projects, and 3) pay annual plant costs (other than variable costs, comprising costs of chemicals and electricity directly related to water treatment). Variable costs are charged monthly to each customer receiving treated water based on each customer’s proportion of treated and delivered water.

Each customer covenants that it will establish, maintain, and collect reasonable rates and charges for water service of its water system or combined utility system, which, together with other legally available funds of that customer, will enable it to pay all of its obligations to the Authority under the Water Treatment Contract and the Conveyance Service Subcontract. Customers are not subject to the jurisdiction of the Public Utilities Commission of the State of Colorado concerning rates, water quality, metering, and other matters.

Limited Obligations - The obligations of each customer under the Water Treatment Contract are not general obligations of each customer and are not secured by a pledge of tax revenues, but are payable and enforceable solely and only from the revenues derived from the operation of the water system or combined utility of such customer.

NOTE 9 - CONTINGENCIES AND CLAIMS

RISK MANAGEMENT

Risk management oversight in evaluating the insurable risk of loss to protect the Authority's assets is provided by Utilities. Tort claims against the Authority and its officers are subject to the terms, conditions, and limitations of the Colorado Governmental Immunity Act, C.R.S. 24-10-101 et seq., which generally limits such claims to the greater of $505,000 per person and $1,421,000 per occurrence. In addition, the Authority purchases insurance for public officials' liability, commercial general and automobile liability, physical damage coverage for buildings, contents, equipment, and automobiles with varying deductibles and limits. The pipeline is self-insured. Settled claims have not exceeded insurance coverage during any of the last three fiscal years. See Subsequent Note for additional information.

AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an Amendment to the State Constitution, Article X, Section 20, which has several limitations including raising revenue, spending abilities, and other specific requirements of state and local governments. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10.0% of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment. The Authority is of the opinion that it qualifies for this exclusion. The Amendment is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of the Amendment. However, the Authority has made certain interpretations of the Amendment's language in order to determine its compliance.

The Authority is a political subdivision of the State of Colorado separate from each of the member governments. As such, the Authority believes it is not subject to any limitations regarding raising revenue or spending abilities that are set forth in the Charter of the City of Colorado Springs.

LEGAL MATTERS

No litigation was pending against the Authority as of December 31, 2025, and the Authority is not aware of any threatened claims or litigation that could be filed against the Authority.

NOTE 10 - SUBSEQUENT EVENTS

On September 19, 2025, the District and the Authority signed an agreement for the transfer of the operation, maintenance, and replacement of the Conduit to the Authority effective January 1, 2026.