

Dominion Water & Sanitation District

Financial Statements
with Independent Auditor's Report

December 31, 2024



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Dominion Water & Sanitation District

Table of Contents
December 31, 2024

Independent Auditor's Report	1
Management's Discussion and Analysis	i
Basic Financial Statements	
<i>Proprietary Funds</i>	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7
Supplementary Information	
Budgetary Comparison Schedule	
<i>Proprietary Fund</i>	24
Schedule of Debt Service Requirements to Maturity.....	26



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditor's Report

Board of Directors
Dominion Water & Sanitation District
Douglas County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Dominion Water & Sanitation District (the District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2024, 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Office Locations:

Colorado Springs, CO
Denver, CO
Frisco, CO
Tulsa, OK

Denver Office:

750 W. Hampden Avenue,
Suite 400
Englewood,
Colorado 80110
TEL: 303.796.1000
FAX: 303.796.1001
www.HinkleCPAs.com

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 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 the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 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 the Dominion Water & Sanitation District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Englewood, Colorado
July 29, 2025



**Dominion Water & Sanitation District
Management’s Discussion and Analysis
Year Ended December 31, 2024**

This discussion and analysis is intended to provide an overview of the financial activities of Dominion Water & Sanitation District (the “District” or “Dominion”) for the year ended December 31, 2024. This analysis should be read in conjunction with the District’s 2024 audited financial statements.

FINANCIAL HIGHLIGHTS

The District’s Net Position (as defined below) at December 31, 2024 was \$23,995,296. The District’s operations continued to expand as reflected by increases in service revenues and tap fees.

- **Operating Revenues** – Water and sewer service revenues increased from \$3,161,399 in 2023 to \$4,802,232 in 2024, an increase of 52%. These increases are directly related to (i) a 33% increase in the amount of water purchased by the Sterling Ranch Community Authority Board (the “CAB”) for its residential customers in the master planned community known as Sterling Ranch due largely to the continued growth in home sales, (ii) rate increases, (iii) increases in the amount of construction water used by the Developer in connection with development activities in Sterling Ranch, and (iv) increases in usage related to parks, landscaping, and other amenities that the CAB maintains.
- **Water and Sewer Tap Fees** – In 2024, the District collected \$17,601,938 in tap fees, an increase of \$10,124,964 over the \$7,476,974 collected in 2023. This increase was driven by the collection of tap fees on 340 single-family units and 264 multifamily units in 2024 as compared to 183 single-family homes in 2023.
- **Net Position** – The District’s Net Position (“Net Position,” defined as Total Assets and Deferred Outflow of Resources less Total Liabilities) at December 31, 2024 totaled \$23,955,296. Net Position increased \$28,830,887 in 2024 primarily because of the \$25,805,000 capital contribution described below.
- **Cash and Investments** – Total Cash and Investments at December 31, 2024 totaled \$38,131,241 and includes liquid cash equivalents and short-term and long-term restricted investments. Restricted cash and investments at December 31, 2024 of \$33,634,246 are managed by the Trustee for the District’s Series 2022 Bonds and are held for payment of debt service, to maintain debt service fund reserves, and to pay for eligible capital project expenditures.
- **Capital Contributions** – Capital Contributions totaled \$25,805,000 in 2024 as a result of an Intergovernmental Agreement between the District and the CAB whereby the CAB (i) transferred ownership in certain wholesale water and wastewater assets previously constructed by the CAB on behalf of the District in the amount of \$13,802,324, and (ii) agreed to fund future capital projects for the District in the amount of \$12,002,676. The agreement is the result of the District’s previous pledge to the CAB of \$25,805,000 in water and wastewater tap fees for the CAB’s use in constructing public improvements associated with Sterling Ranch Filing No. 1. The water and wastewater assets contributed were added to the District’s capital asset base. The future funding requirement of \$12,002,276 was recorded as Due from Other Governments and will provide funding for future wholesale capital projects of the District.

**Dominion Water & Sanitation District
Management's Discussion and Analysis
Year Ended December 31, 2024**

FINANCIAL SUMMARY AND ANALYSIS

NET POSITION

The Net Position of the District increased to \$23,995,296 at December 31, 2024 as compared to a deficit of \$4,835,591 at December 31, 2023 as restated. The increase in Net Position of \$28,830,887 is due primarily to the capital contribution of \$25,805,000 discussed above.

The District's 2024 financial statements include a restatement of prior year financial statements related to a capital project. The District previously contracted with a governmental entity to construct a water pipeline on behalf of such entity and for which such entity funded the costs of the pipeline as it was constructed. The District subsequently transferred ownership of the pipeline to such governmental entity. However, the transfer of ownership was not properly recorded in the District's financial statements at the time of transfer. As a result of this restatement, Capital Assets and Net Position as of December 31, 2023 were reduced by \$13,987,040.

CURRENT ASSETS

Current assets increased \$12,233,357 to \$50,839,325 at December 31, 2024 from \$38,605,968 at December 31, 2023 due primarily to the recognition of the CAB's funding obligation discussed above. Total Cash and Investments were \$38,131,241 at December 31, 2024 as compared to \$38,137,895 at December 31, 2023.

CAPITAL ASSETS

At December 31, 2024, the District's Capital Assets, net of Accumulated Depreciation, totaled \$168,348,766, an increase of \$16,656,338 from the restated total of \$151,692,428 in net Capital Assets as of December 31, 2023. The increase was due primarily to (i) the transfer of water and wastewater capital assets by the CAB to Dominion as described above, and (ii) expenditures associated with the District's ongoing capital projects, partially offset by an increase in Accumulated Depreciation.

LONG-TERM LIABILITIES

Long-Term Liabilities totaled \$191,969,284 at December 31, 2024 as compared to \$192,069,886 at December 31, 2023. Principal payments totaled \$2,897,170 in 2024 as compared to \$244,011 in 2023. The increase in principal payments of \$2,653,159 is due primarily to \$2,030,000 in scheduled principal payments and \$575,000 in Extraordinary Mandatory Redemption principal payments on the Series 2022 Bonds in 2024. The principal payments were offset by an increase in accrued interest on the District's Junior Limited Revenue Promissory Notes.

REVENUES AND EXPENDITURES

- Water and sewer service revenues of \$4,802,232 increased 52% in 2024 compared to prior year revenues of \$3,161,399. The increase is the result of (i) a 33% increase in the amount of water purchased by the CAB for its residential customers due largely to the continued growth in home sales in Sterling Ranch, (ii) rate increases, (iii) increases in the amount of construction water used in connection with development activities in Sterling Ranch, and (iv) increases in usage related to parks, landscaping, and other amenities that the CAB maintains.

**Dominion Water & Sanitation District
Management's Discussion and Analysis
Year Ended December 31, 2024**

- Operating Expenses increased to \$8,761,433 in 2024 from a restated total of \$7,483,519 in 2023 due primarily to increases in (i) personnel costs necessary to oversee the continued expansion of the District's operations and (ii) water operations and maintenance costs, partially offset by decreases in (i) wastewater operations and maintenance costs and (ii) depreciation and amortization. The increases in water operations and maintenance costs were primarily the result of (i) increases in the amount of water provided to the CAB to serve the CAB's growing customer base and (ii) an increase in the amount of water utilized by the CAB and the developer for development activities.
- Non-operating revenue increased from \$9,260,440 to \$19,283,793 due primarily to a \$10,124,964 increase in Tap Fees collected.
- Interest on Bonds and Notes totaled \$11,273,135 in 2024 as compared to \$10,725,178 in 2023. The increase of \$547,957 was principally the result of an increase in interest expense on the District's Junior Limited Revenue Promissory Notes.
- During 2024, the District incurred a loss of \$1,321,455 on the write off and disposal of certain capital assets. No such disposals occurred in 2023.

MARKET CONDITIONS

Construction of new homes and home sales in Sterling Ranch will continue to provide (i) additional service revenues for the District to fund its operating expenses and (ii) tap fees necessary to fund debt service and capital projects. The District, among other things, is reliant on (i) the developer of Sterling Ranch to continue to entitle property and market and sell lots to home builders, and (ii) the home builders to continue to construct and sell homes to homebuyers. In addition, the overall health of the economy and more particularly the real estate market, both locally and nationally, as well as the level of mortgage interest rates, has a significant effect on new home construction.

LONG-TERM PLANNING

As part of its long-term planning activities, the District, among other things, conducts periodic reviews of its Capital Improvement Plan. As part of the review, project assumptions and capital needs are updated and reevaluated by Management and the Board of Directors of the District. The District also conducts periodic reviews of its rates and fees. The timing of capital improvements is related primarily to the growth of the Sterling Ranch community. In addition, the District conducts separate long-term water and wastewater master plan evaluations to (i) determine what additional improvements are needed to meet future growth within the District's service area, (ii) to ensure that revenues will be sufficient to support the cost of operations, debt service, and future capital projects, and (iii) to ensure the responsiveness, redundancy, and reliability of the systems. Additional master plan evaluations and rate and fee studies will be conducted in the future as the buildout of the Sterling Ranch community and other communities within the District's service area continues.

Basic Financial Statements

Dominion Water & Sanitation District
Statement of Net Position
Proprietary Fund
December 31, 2024

Assets

Current Assets

Cash and Investments	\$ 4,496,995
Cash and Investments - Restricted	33,634,246
Accounts Receivable	10,640
Due from Other Governments	12,597,681
Prepaid Expenses	99,763
Total Current Assets	<u>50,839,325</u>

Noncurrent Assets

Capital Assets,	
Capital assets, not being depreciated	69,702,059
Capital assets, being depreciated, net	98,646,707
Total Capital Assets	<u>168,348,766</u>

Other Long-term Assets	
Utility Deposit	7,048
Total Other Long-term Assets	<u>7,048</u>

Total Noncurrent Assets	<u>168,355,814</u>
-------------------------	--------------------

Total Assets	<u>\$ 219,195,139</u>
--------------	-----------------------

Deferred Outflow of Resources

Cost of Refunding	<u>\$ 1,203,840</u>
Total Deferred Outflow of Resources	<u>\$ 1,203,840</u>

Liabilities

Current Liabilities

Accounts Payable	\$ 1,050,540
Accrued Salaries	102,863
Accrued Interest Payable - Notes	
Notes Payable	185,465
Bonds Payable	650,538
Current Portion of Long-term Debt	
Bonds Payable	2,130,000
Subordinate Promissory Note	165,000
CWCB Loan	95,550
Lease Payable - Office Building	44,443
Deposits	10,000
Total Current Liabilities	<u>4,434,399</u>

Long-Term Liabilities

Bonds Payable, Net of Unamortized Original Issue Discount	133,200,000
Junior Limited Revenue Promissory Notes - Principal	41,962,159
Junior Limited Revenue Promissory Notes - Accrued Interest	8,765,235
Subordinate Promissory Note - Principal	4,265,000
CWCB Loan - Principal	3,743,803
Lease Payable - Office Building	33,087
Total Long-Term Liabilities	<u>191,969,284</u>

Total Liabilities	<u>196,403,683</u>
-------------------	--------------------

Net Position

Unrestricted	<u>23,995,296</u>
Total Net Position	<u>\$ 23,995,296</u>

Dominion Water & Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2024

Operating Revenues

Water Service Fees	\$		2,561,125
Residential			793,883
Construction			369,814
Irrigation			1,077,410
Sewer Service Fees			77,134
CAB Cost Share			309,698
Other Income			<u>5,189,064</u>
Total Operating Revenues			<u>5,189,064</u>

Operating Expenses

Personnel			1,760,083
Contracted Services			541,879
District Office			373,458
Employee Development & Stakeholder Engagement			97,308
Financial Services & Grants			124,775
General Operations & Maintenance			12,506
Water Operations & Maintenance			2,705,340
Wastewater Operations & Maintenance			1,339,171
Other Repairs and Maintenance			351,539
Depreciation and Amortization			1,455,374
Total Operating Expenses			<u>8,761,433</u>

Net Loss from Operations (3,572,369)

Nonoperating Revenues and Expenses

Interest Income			1,681,855
Water Tap Fees			14,033,928
Sewer Tap Fees			3,568,010
Interest on Bonds and Notes Payable			(11,273,135)
Cost of Issuance			(90,947)
Loss on Disposal of Assets			(1,321,455)
Total Nonoperating Revenues and Expenses			<u>6,598,256</u>

Net Income Before Contributed Capital 3,025,887

Contributed Capital

CAB IGA			25,805,000
Total Capital Contributions			<u>25,805,000</u>

Change in Net Position 28,830,887

Net Position, *Beginning of Year*, as originally stated 9,151,449

Restatement (13,987,040)

Net Position, *Beginning of Year*, as restated (4,835,591)

Net Position, *End of Year* \$ 23,995,296

Dominion Water & Sanitation District
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2024

Cash Flows From Operating Activities	
Cash Received from Customers	\$ 5,178,424
Cash Paid to Suppliers/Contractors	(6,077,001)
Cash Paid to Employees	<u>(1,281,633)</u>
Net Cash Used In Operating Activities	<u>(2,180,210)</u>
Cash Flows From Capital and Related Financing Activities	
Capitalized Accrued Interest on Debt	2,909,391
Tap Fees Received	17,601,938
CAB Contribution and Other Income	13,592,044
Acquisition of Capital Assets	(19,433,167)
Payments on Long-Term Debt Obligations	(2,897,170)
Payment of Interest on Long-Term Debt Obligations	(11,190,388)
Cost of Issuance	<u>(90,947)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>491,701</u>
Cash Flows From Investing Activities	
Investment Income Received	<u>1,681,855</u>
Net Cash Provided by Capital and Related Financing Activities	<u>1,681,855</u>
Net Change in Cash and Cash Equivalents	(6,654)
Cash and Cash Equivalents, <i>Beginning of Year</i>	<u>38,137,895</u>
Cash and Cash Equivalents, <i>End of Year</i>	<u>\$ 38,131,241</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income	\$ (3,572,369)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	1,455,374
Changes in Assets and Liabilities Related to Operations	
Accounts Receivable	(10,640)
Prepaid Expenses	(16,415)
Accounts and Retainage Payable	(139,023)
Accrued Salaries	<u>102,863</u>
Net Cash Used In Operating Activities	<u>\$ (2,180,210)</u>

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 1: Reporting Entity

Dominion Water & Sanitation District (the District or Dominion) is a quasi-governmental entity created under Colorado's Title 32 Special District Act. The District was formed in 2004 for the purpose of providing certain public improvements, facilities, and wholesale services to and for the use and benefit of retail districts located within the District's Service Area. These retail districts must meet the requirements of the District's Rules and Regulations in order to receive service. Since its inception, the District has primarily provided wholesale water and wastewater service to the Sterling Ranch Community Authority Board (the CAB), which is the retail provider of water and wastewater services to the master planned community known as Sterling Ranch. The District's service area encompasses approximately 33,000 acres located in Northwest Douglas County and is defined as an overlay district within Douglas County Zoning Resolution Section 18A Water Supply Overlay District.

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

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

Note 2: Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's accounting records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

(Continued)

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses 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 nonoperating revenues and expenses.

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

Budget

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

The District did not amend its annual budget for the year ended December 31, 2024.

Cash and Investments

The District considers all highly liquid assets that are readily convertible to cash or have a maturity of three months or less to be cash equivalents.

Leases

The District determines if an arrangement is a lease at inception. Leases are included as right-to-use assets in capital assets and as leases payable in noncurrent liabilities in the statement of net position.

Lease assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 2: Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, and less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option.

The District has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statement of net position. For individual lease contracts where information about the discount rate implicit in the lease is not included, the District has elected to use the incremental borrowing rate to calculate the present value of expected lease payments.

Capital Assets

Capital assets, which include land, buildings, plant, infrastructure, and equipment, are reported at historical cost or estimated historical cost if purchased or constructed. Capital assets which are contributed or donated to the District are recorded at estimated acquisition value at the date of contribution or donation. Capital assets are defined by the District as those assets with a cost of \$5,000 or greater and an estimated useful life in excess of one year.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Infrastructure	30 - 60 years
Buildings and Improvements	40 - 50 years
Machinery and Equipment	5 - 20 years
Vehicles and Equipment	5 - 10 years

Cost of Refunding

The deferred cost of bond refunding is being amortized using the interest method over the life of the defeased bonds. The amortization amount is a component of interest expense, and the unamortized deferred cost is reflected as a deferred outflow of resources.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain of the District's capital assets have been reclassified to conform to the District's current capital asset categories. See Note 4 regarding Capital Assets.

Subsequent Events

Management of the District has evaluated subsequent events through July 29, 2025, the date the financial statements were available to be issued.

Note 3: Cash and Investments

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

Cash and Investments	\$ 4,496,995
Cash and Investments - Restricted	<u>33,634,246</u>
Total	<u>\$ 38,131,241</u>

Cash and investments as of December 31, 2024 consist of the following:

Deposits with Financial Institutions	\$ 6,034,960
Investments	<u>32,096,281</u>
Total	<u>\$ 38,131,241</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has adopted a deposit policy, which follows state statutes, for custodial risk.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 3: Cash and Investments (Continued)

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2024, the District's cash deposits had a bank and carrying balance of \$6,034,960. \$250,000 per institution is insured through the FDIC and the balance is collateralized in single institution pools.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which the District may invest, which include the following. State statutes do not address custodial risk. Under State statutes, investment instruments which meet defined rating and risk criteria include:

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings established by the nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in a single issuer, except for corporate securities.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 3: Cash and Investments (Continued)

Investments (Continued)

As of December 31, 2024, the District had the following investments:

<u>Investment</u>	<u>S&P Rating</u>	<u>Carrying Amount</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Government & Agency Bonds	Aaa	\$ 9,556,605	\$ 5,254,097	\$ 4,302,508
Corporate Bonds	Aaa	762,625	252,630	509,995
Money Market Securities	AAAm	21,777,051	21,777,051	-
Total		<u>\$ 32,096,281</u>	<u>\$ 27,283,778</u>	<u>\$ 4,812,503</u>

Goldman Sachs Treasury Fund #525

On December 31, 2024, some of the District's funds held in trust accounts at UMB Bank were invested in the Goldman Sachs Treasury Fund. This portfolio is managed by Goldman Sachs and each share is equal in value to \$1.00. Goldman Sachs may invest in U.S. Treasury securities, or repurchase agreements collateralized by U.S. Treasury securities. The fund is AAAm rated by Standard & Poor's and invests in a process that seeks to select maturities based on the shape of the money market yield curve and on expectations as to future shifts in the level and shape of the curve, taking into consideration such factors as current short-term interest rates, Federal Reserve policy regarding interest rates, and U.S. economic activity. The average maturity of the underlying securities is 60 days or less. The District records its investments in Goldman Sachs at net asset value.

Dominion Water & Sanitation District
Notes to Financial Statements
December 31, 2024

Note 4: Capital Assets

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

	(Restated) Balance 12/31/23	Additions	Disposals/ Retirements	Transfers	Balance 12/31/24
<i>Capital Assets, Not Being Depreciated</i>					
Water Rights	\$ 20,146,210	\$ -	\$ (50,000)	\$ 10,173,857	\$ 30,270,067
Land	-	-	-	961,465	961,465
Construction-in-Progress					
Water Supply	31,585,808	1,517,761	(777,095)	(11,104,886)	21,221,588
Master Planning	2,183,079	516,013	(145,851)	(2,553,241)	-
Water System	11,603,847	1,111,464	-	(8,505,042)	4,210,269
Wastewater System	14,275,684	2,675,812	-	(3,912,826)	13,038,670
Total Capital Assets, Not Being Depreciated	79,794,628	5,821,050	(972,946)	(14,940,673)	69,702,059
<i>Capital Assets, Being Depreciated</i>					
Water System	56,144,487	5,427,080	(348,508)	7,615,480	68,838,539
Water Supply	18,065,690	-	-	2,698,251	20,763,941
Wastewater System	2,121,311	8,185,037	-	4,626,942	14,933,290
Vehicles	34,931	-	-	-	34,931
Right-to-Use Lease Building	331,607	-	-	-	331,607
Total Capital Assets, Being Depreciated	76,698,026	13,612,117	(348,508)	14,940,673	104,902,308
<i>Less Accumulated Depreciation</i>					
Water System	(3,116,444)	(748,956)	-	-	(3,865,400)
Water Supply	(1,346,454)	(420,492)	-	-	(1,766,946)
Wastewater System	(111,583)	(245,780)	-	-	(357,363)
Vehicles	(26,781)	(6,986)	-	-	(33,767)
Right-to-Use Lease Building	(198,964)	(33,161)	-	-	(232,125)
Total Accumulated Depreciation	(4,800,226)	(1,455,375)	-	-	(6,255,601)
Total Capital Assets, Being Depreciated, net	71,897,800	12,156,742	(348,508)	14,940,673	98,646,707
Total Capital Assets, net	\$ 151,692,428	\$ 17,977,792	\$ (1,321,454)	\$ -	\$ 168,348,766

Depreciation expense for the year ended December 31, 2024 was charged to Operating Expenses.

Dominion Water & Sanitation District
Notes to Financial Statements
December 31, 2024

Note 5: Long-Term Liabilities

The following is an analysis of the changes in the District's long-term Liabilities for the year ended December 31, 2024:

	Balance 12/31/23	Additions	Deletions	Balance 12/31/24	Due Within One Year
Bonds Payable					
Revenue Refunding and Improvement Bonds					
Series 2022	\$ 137,935,000	\$ -	\$ (2,605,000)	\$ 135,330,000	\$ 2,130,000
Notes Payable					
Series 2020A Subordinate Promissory Note	4,585,000	-	(155,000)	4,430,000	165,000
CWCD Promissory Note	3,931,852	-	(92,499)	3,839,353	95,550
Junior Limited Revenue Promissory Notes					
Series 2022 - Principal	34,446,159	-	-	34,446,159	-
Series 2022 - Accrued Interest	2,619,578	2,456,971	-	5,076,549	-
Series 2017 - Principal	7,516,000	-	-	7,516,000	-
Series 2017 - Accrued Interest	3,236,266	452,420	-	3,688,686	-
	<u>56,334,855</u>	<u>2,909,391</u>	<u>(247,499)</u>	<u>58,996,747</u>	<u>260,550</u>
Leases Payable					
Office Building	122,202	-	(44,672)	77,530	44,443
	<u>122,202</u>	<u>-</u>	<u>(44,672)</u>	<u>77,530</u>	<u>44,443</u>
Total	\$ <u>194,392,057</u>	\$ <u>2,909,391</u>	\$ <u>(2,897,171)</u>	\$ <u>194,404,277</u>	\$ <u>2,434,993</u>

Revenue Refunding and Improvement Bonds, Series 2022

The District issued the Series 2022 Bonds (the Bonds) on September 15, 2022, in the amount of \$137,935,000.

Proceeds of the Bonds

Pursuant to the terms of the Trust Indenture (Indenture) for the Bonds, net proceeds from the sale of the Bonds, along with certain other legally available funds then held by the Trustee related to the District's Tap Fee Revenue Bonds, Series 2016, were used to:

- (i) refund certain outstanding obligations of the District (the "Refunding Project")
- (ii) fund a deposit to the Project Fund;
- (iii) fund a deposit to the Reserve Fund in the amount of the Reserve Fund Requirement;
- (iv) fund a deposit to the Debt Service Fund; and
- (v) pay the costs of issuance of the Bonds.

The Refunding Project includes the payment in full or in part of the outstanding principal of and interest on, and any prepayment or redemption premium in connection with the following:

- (i) Tap Fee Revenue Bonds, Series 2016;
- (ii) Junior Limited Revenue Promissory Notes, Series 2017A (the Series 2017A Notes);
- (iii) Subordinate Limited Revenue Promissory Water Note, Series 2017B (the Series 2017B Notes); and
- (iv) Subordinate Limited Revenue Promissory Water Note, Series 2017C (the Series 2017C Notes)

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 5: Long-Term Liabilities (Continued)

Revenue Refunding and Improvement Bonds, Series 2022 (Continued)

Bond Details

The Bonds bear interest at rates ranging from 5.000% to 5.875%, payable semi-annually on June 1 and December 1, (each, an Interest Payment Date) beginning on December 1, 2022. Principal payments on the Bonds are due annually on each December 1, beginning on December 1, 2024. The Bonds mature on December 1, 2052.

To the extent the principal of any Bond is not paid when due, the principal shall remain outstanding until paid. To the extent interest on any Bond is not paid when due, such unpaid interest shall compound on each Interest Payment Date, at the rate then borne by the Bond.

The Bonds are subject to Extraordinary Mandatory Redemption provisions as described in the Indenture.

Events of Default of the Bonds

Events of default occur if the District fails to impose the Tap Fee, or to apply the Tap Fee Revenues as required by the Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indenture.

Unused lines of credit

The Bonds do not have any unused lines of credit.

Collateral

No assets have been pledged as collateral on the Bonds.

Termination Events

The Bonds are not subject to early termination.

Acceleration

The Bonds are not subject to acceleration.

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2028, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2028, to November 30, 2029	3.00%
December 1, 2029, to November 30, 2030	2.00
December 1, 2030, to November 30, 2031	1.00
December 1, 2031, and thereafter	0.00

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 5: Long-Term Liabilities (Continued)

Revenue Refunding and Improvement Bonds, Series 2022 (Continued)

Revenues

The Bonds are payable solely from and to the extent of the following Revenues:

- (i) Tap Fee Revenues;
- (ii) Net Service Charge Revenues defined as Service Charges, less Operations and Maintenance Costs; and
- (iii) any other legally available amounts that the District may designate by resolution of the Board, to be paid to the Trustee for deposit into the Revenue Fund.

Reserve Fund

The Bonds are additionally secured by the Reserve Fund, which was initially funded with proceeds of the Bonds in the amount of the Reserve Requirement of \$9,973,463. Amounts on deposit in the Reserve Fund on the final maturity date of the Bonds are to be applied to the payment of the Bonds on such date.

The District's Bonds will mature as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,130,000	\$ 7,806,456	\$ 9,936,456
2026	2,235,000	7,699,956	9,934,956
2027	2,345,000	7,588,206	9,933,206
2028	2,460,000	7,470,956	9,930,956
2029	2,590,000	7,341,806	9,931,806
2030 - 2034	15,175,000	34,499,381	49,674,381
2035 - 2039	20,060,000	29,618,519	49,678,519
2040 - 2044	26,690,000	22,990,638	49,680,638
2045 - 2049	35,510,000	14,173,733	49,683,733
2050 - 2052	26,135,000	3,096,712	29,231,712
	<u>\$ 135,330,000</u>	<u>\$ 142,286,363</u>	<u>\$ 277,616,363</u>

Subordinate Limited Revenue Promissory Water Note, Series 2020A Note

On March 27, 2020, the District issued a Subordinate Limited Revenue Promissory Note, Series 2020A (2020A Note), in the amount of \$5,000,000. Proceeds from the 2020A Note were used to finance a portion of the construction costs relating to water infrastructure. The 2020A Note bears interest of 6.5% per annum payable on the 15th day of June and December with a final maturity date of December 15, 2040.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 5: Long-Term Liabilities (Continued)

CWCB Loan

On April 1, 2020, the District entered a loan with the Colorado Water Conversation Board (CWCB) in the amount of \$4,191,990. Proceeds from the CWCB loan were used to finance the Chatfield Reservoir Reallocation and adaptive management plan relating to the Chatfield Reallocation Project. The CWCB Loan bears interest of 3.3% per annum. Interest and principal are payable on the 1st day of each April in the total amount of \$222,249 per year, with a final maturity date on April 1, 2050.

Junior Limited Revenue Promissory Notes

On December 27, 2017, the District issued the Series 2017A Notes to Sterling Ranch, LLC (SR LLC or the Developer) and affiliated entities. The Series 2017A Notes bear simple interest of 7% per annum, with interest payments, if any, due on the 20th of each December. The Notes were issued by the District for the purpose of financing the costs of wholesale water and wastewater facilities. A portion of the Series 2017A Notes were refunded in connection with the issuance of the Bonds.

On November 15, 2022, the District issued its Junior Limited Revenue Promissory Note, Series 2022A-1 (2022A- Note 1), in the aggregate principal amount of \$28,894,120. The 2022A-1 Note bears interest of 6.5% per annum, and interest payments are due on the 20th of each December. Accrued but unpaid interest compounds each December 20. The 2022A-1 Note was issued by the District in payment of previous advances made by SR LLC and affiliated entities for the purpose of financing the costs of wholesale water and wastewater facilities plus accrued interest.

On November 15, 2022, the District issued its Junior Limited Revenue Promissory Note, Series 2022A-2 (2022A- Note 2), in the aggregate principal amount of \$5,552,039. The 2022A-2 Note bears interest of 7.5% per annum, and interest payments are due on the 20th of each December. Accrued but unpaid interest compounds each December 20. The Note was issued by the District in payment of previous advances made by SR LLC and affiliated entities for the purpose of financing operating and maintenance costs plus accrued interest.

Office Building Lease

The District leases office space under an operating lease which will expire on October 1, 2026. The incremental borrowing rate at the commencement of the agreement in 2017 was 4.25%.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 5: Long-Term Liabilities (Continued)

Office Building Lease (Continued)

The future minimum lease obligations and net present value of these minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 44,443	\$ 17,560	\$ 62,003
2026	<u>33,087</u>	<u>15,035</u>	<u>48,122</u>
	<u>\$ 77,530</u>	<u>\$ 32,595</u>	<u>\$ 110,125</u>

Right-to-use assets acquired through the outstanding lease are shown below:

<u>Governmental Activities</u>	
Right-to-Use Lease Office Building	\$ 331,607
Less: Lease Asset Accumulated Amortization	<u>(232,125)</u>
Net Carrying Value	<u>\$ 99,482</u>

Note 6: Economic Dependency

The District has not yet established a revenue base sufficient to pay operational and certain capital expenditures. Until an independent revenue base is established, continuation of operations in the District and construction of certain public improvements may require funding from the Developer in the future.

Note 7: Related Parties

SR LLC is the owner of most of the undeveloped land in Sterling Ranch. SR LLC, Sterling Ranch Development Company (DevCo, formally the Master Developer for Sterling Ranch), and certain of their affiliated entities (collectively with SR LLC and DevCo, the SR Entities) have each advanced funds to the District under various funding agreements (see Note 8). Certain members of the Board of Directors of the District hold interests in the SR Entities or are otherwise associated with the SR Entities and may have conflicts of interest in dealing with the District. Such members currently constitute less than 50% of the membership of the Board of Directors of the District.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 8: Agreements

Advance and Reimbursement Agreement

On February 2, 2005, the District entered into the Advance and Reimbursement Agreement (the Agreement) with SR LLC. Pursuant to the Agreement, SR LLC agreed to advance funds to the District to pay for capital and operational expenses when the District's revenues and other funding sources are not sufficient to pay for such expenses. The District will pay interest, from the date of each advance, at the rate of 7% per annum. The District's repayment of advances under this Agreement is subject to annual appropriation and shall be applied first to interest, then to principal of the advances. The District's reimbursement obligation is subordinate to any bonded indebtedness of the District hereafter created. As of December 31, 2024, no amounts were outstanding under the Agreement.

Water and Wastewater Agreement for Sterling Ranch

On December 10, 2013, Dominion entered into the Wholesale Water and Wastewater Service Agreement for Sterling Ranch (the Service Agreement) with the CAB effective January 6, 2014, to, among other things, provide wholesale water and wastewater service to Sterling Ranch Filing No. 1 (Filing 1). The Service Agreement was subsequently amended (i) effective December 7, 2016, to provide wholesale water and wastewater service to future filings in Sterling Ranch and (ii) effective October 17, 2017, to add contracted retail service operations and maintenance activities.

Dominion and CAB Capital Infrastructure Agreement

In connection with the construction of public improvements and other projects necessary to serve property in Filing 1 (the Filing 1 Improvements), the District pledged its water and wastewater tap fees (the Filing 1 Tap Fees) to the CAB for use by the CAB in constructing the Filing 1 Improvements. The Filing 1 Tap Fees totaled \$25,805,000. In December 2024, the District entered into an Intergovernmental Funding and Construction Agreement with the CAB whereby the CAB (i) transferred ownership to the District of certain capital assets valued at \$13,802,324 which were constructed and paid by the CAB as part of the Filing 1 Improvements and (ii) agreed to fund up to \$12,002,676 of the cost of future capital projects of the District.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 8: Agreements (Continued)

Dominion and Roxborough Intergovernmental Agreement

On October 1, 2020, the District entered into an Intergovernmental Agreement for Temporary Lease of and Acquisition of Capacity in the Roxborough Wastewater Conveyance System (the Roxborough IGA) with the Roxborough Water and Sanitation District (Roxborough). Pursuant to the Roxborough IGA, Roxborough agrees to lease to the District limited unused capacity in Roxborough's wastewater conveyance system on a temporary and nonemergency basis and to secure permanent capacity in the "O" interceptor (the O-Line) to secure permanent conveyance of wastewater sludge to South Platte Renew (SPR, formerly known as the Littleton-Englewood Wastewater Treatment Facility), and to temporarily convey District wastewater to SPR. Under the terms of the Roxborough IGA, the District pays Roxborough both a Capital Asset Lease Payment and Operations Fee. Additionally, the District is obligated to pay Roxborough \$5,000,000 in five installments due at the intervals identified in the agreement, to be spent on replacement pumps, backup generator and flow equalization basin, as necessary to provide the capacity set forth in the Roxborough IGA.

Water, Infrastructure and Supply Efficiency (WISE)

On August 24, 2010, the District entered into an intergovernmental agreement (the South Metro IGA) to become a member of the South Metro Water Supply Authority (the Authority or SMWSA). The South Metro IGA created an authority consisting of members in both Douglas and Arapahoe Counties to bring renewable water supplies from the Cities of Aurora and Denver, when available. Beginning in September 2007, the Authority, on behalf of its members, began exploring a regional water delivery project between Aurora Water and Denver Water. This intergovernmental project included multiple studies preceding and following the District's joining of SMWSA.

On April 17, 2013, the District, along with nine other members, formed the South Metro WISE Authority (SM WISE Authority) pursuant to the SM WISE Authority Formation and Organizational IGA (WISE IGA). The Authority is a regional water supply project that was formed to implement the Water Infrastructure and Supply Efficiency Project (WISE) and help maximize the use of the water resources available to its members.

On December 13, 2013, the South Metro WISE Authority entered into the WISE Partnership-Water Delivery Agreement (WDA). The WDA is an agreement between the City and County of Denver, Colorado, acting by and through its board of water commissioners (Denver); the City of Aurora, Colorado, acting by and through its utility enterprise (Aurora); and the Authority to provide a projected annual average total of 10,000 acre-feet of renewable water.

Each representative member owns an apportioned share of capacity within the SM WISE Authority and/or WISE infrastructure, defined as core infrastructure, WISE infrastructure, and infrastructure necessary to deliver WISE water to a smaller subset of members (Local Infrastructure). Each member of WISE is further obligated to pay for costs of certain infrastructure, which are necessary for the operation of the WISE project.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 8: Agreements (Continued)

Water, Infrastructure and Supply Efficiency (WISE) (Continued)

Each member pays their apportioned share of the WISE overhead costs each fiscal year in accordance with minimum payment obligations pursuant to the WISE IGA which is also driven by the greater of (i) actual water delivered or (ii) the member's pro rata share of the annual average water delivered.

Note 9: Grants

American Rescue Plan Act Grant

On August 13, 2024, the District and the County entered into an intergovernmental agreement (the ARPA IGA) whereby the County allocated \$20,482,400 in American Rescue Plan Act (ARPA) funds to be used by the District towards the costs for (i) the design and construction of a wastewater collection and treatment plant, force main and lift station, (ii) the extension of a waterline and installation of a meter vault, and (iii) certain other projects as described in the ARPA IGA. The ARPA IGA requires that all ARPA funds be expended by December 31, 2026. As of December 31, 2024, no amounts were drawn by the District under the ARPA IGA.

Water Plant Grants

The District is currently managing two grants it has been awarded from the CWCB under the Colorado Water Plan. The two grants are as follows:

Water Efficiency Plan – Awarded in April 2024 by the CWCB for a contract of \$92,524 with a matching requirement of \$52,924 resulting in a grant allocation of \$41,600. This grant will assist the District with the development of a state-approved Water Efficiency Plan, with the development of a Retail District Water Efficiency Plan Template, and with an update to the District's Rules and Regulations according to the final Water Efficiency Plan.

South Platte Diversion – Awarded in September 2024 by the CWCB for a total contract of \$1,154,906 including a matching requirement of \$288,727 resulting in a grant of \$866,179. This grant will assist the District in its 30% and 60% designs of the South Platte Diversion project.

Note 10: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or volunteers; and natural disasters.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 10: Risk Management (Continued)

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, general liability, public officials liability, employee dishonesty and crime, equipment breakdown and workers' compensation coverage to its members. Settled claims have not exceeded coverage limits during 2024 or in any prior year.

The District pays annual premiums to the Pool for their liability and property insurance. In the event the aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and surplus funds accumulated by the Pool, the Pool may require additional contributions from Pool members. Any excess unassigned surplus funds the Pool determines is not needed for purposes of the Pool may be returned to members pursuant to a distribution formula.

Note 11: Tax, Spending and Debt Limitations

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

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

The amendment excludes enterprise funds from its provisions. Enterprise funds are defined as government owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue from all state and local governments combined. The District believes it is an exempt enterprise under the definitions of TABOR and that the terms of TABOR did not apply to the District during the year ended December 31, 2024.

Dominion Water & Sanitation District

Notes to Financial Statements

December 31, 2024

Note 12: Restatement of Prior Year Balances

The District's 2024 financial statements include a restatement of prior year financial statements related to a capital project. The District previously contracted with a governmental entity to construct a water pipeline on behalf of such entity and for which such entity funded the costs of the pipeline as it was constructed. The District subsequently transferred ownership of the pipeline to the governmental entity. However, the transfer of ownership was not properly recorded in the District's financial statements at the time of transfer. As a result of this restatement, Assets and Net Position were reduced by \$13,987,040 as shown in the following table:

	2023 Balance as Reported	Capital Assets Restatement	2023 Balance as Restated
Statement of Net Position			
Assets	\$ <u>205,587,271</u>	\$ <u>(13,987,040)</u>	\$ <u>191,600,231</u>
Liabilities	\$ <u>196,435,822</u>	\$ <u>-</u>	\$ <u>196,435,822</u>
Net Position	\$ <u>9,151,449</u>	\$ <u>(13,987,040)</u>	\$ <u>(4,835,591)</u>

Supplementary Information

Dominion Water & Sanitation District
Proprietary Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Tap Fees	\$ 22,172,879	\$ 17,601,938	\$ (4,570,941)
Service Fees	4,902,476	4,802,232	(100,244)
Other Revenue	1,700,000	2,068,687	368,687
Sterling Ranch Community Authority Board IGA	-	25,805,000	25,805,000
Total Revenue	<u>28,775,355</u>	<u>50,277,857</u>	<u>21,502,502</u>
Expenditures			
Administrative and General Expenses			
Personnel	1,712,091	1,760,083	(47,992)
Contracted Personnel	691,320	541,879	149,441
Office Expenses	275,824	178,007	97,817
Equipment	13,193	10,657	2,536
IT & Communications	31,470	81,943	(50,473)
Insurance	90,809	102,851	(12,042)
Employee Development & Engagement	64,500	72,118	(7,618)
Stakeholder Engagement	40,000	25,190	14,810
Grants	-	85,128	(85,128)
Financial Services	-	39,647	(39,647)
Total Administrative & General Expenses	<u>2,919,207</u>	<u>2,897,503</u>	<u>21,704</u>
Operations and Maintenance Expenses			
<i>General</i>			
General O&M	-	12,506	(12,506)
Total General	<u>-</u>	<u>12,506</u>	<u>(12,506)</u>
<i>Water System</i>			
Water Treatment Operations	750,000	970,719	(220,719)
Distribution and Storage Operations	482,500	325,342	157,158
Water Delivery	1,233,749	1,398,618	(164,869)
Drinking Water Regulatory Compliance	500	10,661	(10,161)
Total Water System	<u>2,466,749</u>	<u>2,705,340</u>	<u>(238,591)</u>
<i>Wastewater System</i>			
Wastewater Conveyance Operations	494,179	462,576	31,603
Collection System O&M	671,119	849,049	(177,930)
Wastewater Regulatory Compliance	6,315	27,546	(21,231)
Total Wastewater System	<u>1,171,613</u>	<u>1,339,171</u>	<u>(167,558)</u>
Total Operations and Maintenance Expenses	<u>3,638,362</u>	<u>4,057,017</u>	<u>(418,655)</u>

(Continued)

Dominion Water & Sanitation District
Proprietary Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2024
(Continued)

	Original and Final Budget	Actual	Variance Positive (Negative)
Expenses (Continued)			
Debt Service			
Interest	\$ 8,369,515	\$ 11,273,135	\$ (2,903,620)
Principal	2,277,498	2,897,171	(619,673)
Cost of Issuance	-	90,947	(90,947)
	10,647,013	14,261,253	(3,614,240)
Capital Expenses			
<i>General</i>			
Capital	21,751	1,608,943	(1,587,192)
Total General	21,751	1,608,943	(1,587,192)
<i>Water System</i>			
Water Supply Capital Planning	150,953	296,674	(145,721)
Groundwater Infrastructure	385,000	17,189	367,811
WISE Authority Infrastructure/Castle Rock/ Parker - Contracts	3,363,402	1,413,770	1,949,632
Raw Water Treatment	845,000	342,460	502,540
Drinking Water Treatment	404,004	(96,730)	500,734
Drinking Water Conveyance	365,000	592,794	(227,794)
Total Water System	5,513,359	2,566,157	2,947,202
<i>Wastewater System</i>			
Capital Planning	48,293	39,770	8,523
Roxborough Agreement	1,440,000	1,504,856	(64,856)
Conveyance	3,407,000	1,048,597	2,358,403
Treatment Plant	95,000	377,215	(282,215)
Total Wastewater System	4,990,293	2,970,438	2,019,855
Total Capital Expenses	10,525,403	7,145,538	3,379,865
Total Expenditures	27,729,985	28,361,311	(631,326)
Net Income Budget Basis	\$ 1,045,370	21,916,546	\$ 20,871,176
Reconciliation to GAAP Basis			
Capital Outlay		19,433,167	
Capital Contributions from CAB		(13,960,623)	
Depreciation		(1,455,374)	
Debt Principal		2,897,171	
Change in Net Position, GAAP Basis		\$ 28,830,887	

Dominion Water & Sanitation District
Revenue Refunding and Improvement Bonds, Series 2022
Schedule of Debt Service Requirements to Maturity
For the Year Ended December 31, 2024

<u>Bond and Interest Maturing in the Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 2,130,000	\$ 7,806,456	\$ 9,936,456
2026	2,235,000	7,699,956	9,934,956
2027	2,345,000	7,588,206	9,933,206
2028	2,460,000	7,470,956	9,930,956
2029	2,590,000	7,341,806	9,931,806
2030	2,730,000	7,205,831	9,935,831
2031	2,870,000	7,062,506	9,932,506
2032	3,025,000	6,911,831	9,936,831
2033	3,180,000	6,753,019	9,933,019
2034	3,370,000	6,566,194	9,936,194
2035	3,570,000	6,368,206	9,938,206
2036	3,775,000	6,158,469	9,933,469
2037	3,995,000	5,936,688	9,931,688
2038	4,235,000	5,701,981	9,936,981
2039	4,485,000	5,453,175	9,938,175
2040	4,750,000	5,189,681	9,939,681
2041	5,025,000	4,910,619	9,935,619
2042	5,320,000	4,615,400	9,935,400
2043	5,630,000	4,302,850	9,932,850
2044	5,965,000	3,972,088	9,937,088
2045	6,315,000	3,621,644	9,936,644
2046	6,685,000	3,250,638	9,935,638
2047	7,080,000	2,857,894	9,937,894
2048	7,495,000	2,441,944	9,936,944
2049	7,935,000	2,001,613	9,936,613
2050	8,400,000	1,535,431	9,935,431
2051	8,895,000	1,041,931	9,936,931
2052	<u>8,840,000</u>	<u>519,350</u>	<u>9,359,350</u>
 Total Expenses	 <u>\$ 135,330,000</u>	 <u>\$ 142,286,363</u>	 <u>\$ 277,616,363</u>