Castle Pines Metropolitan District

Financial Statements

December 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Castle Pines Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Castle Pines Metropolitan District (the "District") as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise 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 governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2025 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Auditors' 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 opinions.

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.

Auditors' 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 auditors' 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 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.

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison for the general fund, infrastructure condition and maintenance data, pension-related schedules, and the notes to the required supplementary information, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, as listed in the table of contents, 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Haynie

Littleton, Colorado
May 27, 2026

Management's Discussion and Analysis

Within this section of Castle Pines Metropolitan District's (District) annual financial report, the District's management is pleased to provide this narrative discussion and analysis of the financial activities of the District for the calendar year ended December 31, 2025. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

The District's assets and deferred outflows exceeded its liabilities and deferred inflows by $85,454,481 (net position) as of December 31, 2025 (page 13). This total net position is comprised of the following:

- Net investment in capital assets of $48,677,265 includes property, equipment, and infrastructure, net of accumulated depreciation, reduced by outstanding debt related and liabilities to the purchase or construction of capital assets.
- Net position of $230,000 is restricted by constraints imposed from outside the District such as debt covenants, grantors, laws, or regulations.
- Unrestricted net position of $36,547,216 represents the portion available to maintain the District's continuing obligations to citizens and creditors.

The District’s financial position increased by $4,169,790 this year with total revenues exceeding total expenses in both governmental and business-type activities (page 14).

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis section introduces the District's basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The District also includes additional information to supplement the basic financial statements in this report. Comparative 2024 data is presented when available and applicable.

Government-wide Financial Statements

The District's annual report includes two government-wide financial statements (pages 13 & 14). These statements provide both long-term and short-term information about the District's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position* (page 13). This is the government-wide statement of position presenting information that includes all District assets and deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over a period of time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District, as a whole, is improving or deteriorating.

Evaluation of the overall health of the District extends to other non-financial factors, such as diversification of the taxpayer base or the condition of District infrastructure, in addition to the financial information provided in this report. The December 31, 2025 Statement of Net Position reflects the pension plan disclosures which were adopted in 2015, as well as the OPEB liability, which was adopted in 2018.

The second government-wide statement, the *Statement of Activities* (page 14), reports how the District's net position changed during the current calendar year. All current-year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities (roads) of the District include general government and public works. The business-type activities (water and sewer) of the District include water and sewer services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. All of the District's funds are classified as major and are separately reported.

Governmental Funds. The District maintains one governmental fund, the General Fund. The basic governmental fund financial statements are presented on pages 15 -18 of this report. Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different than the government-wide statements with fund statements providing a distinctive view of the District's governmental fund. Governmental fund statements report short term fiscal accountability and focus on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating the annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

The *Proprietary Fund* is reported in the fund financial statements and generally reports services for which the District charges customers a fee. The District's proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. The District services approximately

1,918 homes inside the District boundaries. The basic enterprise fund financial statements are presented on pages 19 - 21 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget presentations and the modified approach for infrastructure. A budgetary comparison schedule is included as required supplementary information for the general fund to demonstrate compliance with the District's adopted and final revised budget. Schedules of the District's proportionate share of net pension and OPEB liability and related contributions are also included in this section. Required supplementary information can be found on pages 60 -67 of this report.

Comparative statements and schedules for the general fund are included as supplementary information in this report and provide additional information on changes in activities and financial position of the District. A budgetary comparison schedule for the enterprise fund can be found in this section. Supplementary information is located on pages 68 – 70.

Financial Analysis of the District as a Whole

Over time, as year-to-year financial information is accumulated consistently, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at December 31, 2025, is $85,454,481 (page 13). The following table provides a summary of the District's net position:

	Governmental Activities				Business-Type Activities			
	2025	2024	$ Change	% Change	2025	2024	$ Change	% Change
Assets								
Current Assets	$ 29,121,401	$ 26,583,996	$ 2,537,405	9.5%	$ 17,676,282	$ 18,366,091	$ (689,809)	-3.8%
Capital Assets	15,069,067	15,069,687	(620)	0.0%	49,954,698	37,604,614	12,350,084	32.8%
Other Noncurrent Assets					16,156,582	21,194,596	(5,038,014)	-23.8%
Total Assets	44,190,468	41,653,683	2,536,785	6.1%	83,787,562	77,165,301	6,622,261	8.6%
Deferred Outflows	184,234	278,268	(94,034)	-33.8%	254,419	384,275	(129,856)	-33.8%
Total Assets and Deferred Outflows	44,374,702	41,931,951	2,442,751	5.8%	84,041,981	77,549,576	6,492,405	8.4%
Liabilities								
Current Liabilities	310,799	533,461	(222,662)	-41.7%	7,003,814	1,493,132	5,510,682	369.1%
Long-term Liabilities	505,467	606,138	(100,671)	-16.6%	26,553,690	27,238,475	(684,785)	-2.5%
Total Liabilities	816,266	1,139,599	(323,333)	-28.4%	33,557,504	28,731,607	4,825,897	16.8%
Deferred Inflows	8,563,507	8,308,467	255,040	3.1%	24,925	17,163	7,762	45.2%
Total Liabilities and Deferred Inflows	9,379,773	9,448,066	(68,293)	-0.7%	33,582,429	28,748,770	4,833,659	16.8%
Net Position								
Net Investment in Capital Assets	15,069,067	15,069,687	(620)	0.0%	33,608,198	31,918,233	1,689,965	5.3%
Restricted - TABOR	230,000	230,000	-	0.0%				0.0%
Unrestricted	19,695,862	17,184,198	2,511,664	14.6%	16,851,354	16,882,573	(31,219)	-0.2%
Total Net Position	$ 34,994,929	$ 32,483,885	$ 2,511,044	7.7%	$ 50,459,552	$ 48,800,806	$ 1,658,746	3.4%

The District continues to maintain a healthy current ratio of 6.4 to 1 overall with sufficient current assets available to pay current obligations. The current ratio for governmental activities is 93.7 to 1, up from 49.8 to 1 in 2024 due to increased current assets, including cash and cash equivalents, property taxes receivable and an interfund receivable. Current liabilities of business-type activities increased over prior year from accounts payable balances at year end resulting in a current ratio of 2.5 to 1 at December 31, 2025, down from 12.3 to 1 in 2024. These outstanding payables are largely related to bond-funded construction activities. The District's restricted investments consist of bond proceeds to fund this construction, and maintain sufficient liquidity to pay invoices timely so as to not further deteriorate the current ratio.

Approximately 50.8% of the District's total assets are consumed by capital assets. The District uses these capital assets to provide services to its residents. Approximately 34.1% of the governmental activities total assets are included in capital assets, primarily consisting of infrastructure. Within business-type activities, approximately 59.6% of assets are capital assets. Capital assets in business-type activities provide water services and mostly consist of water and sewer systems; however, they also generate fee-based revenues for this fund. The percentage of capital assets to total assets increased in business-type activities this year with significant construction in progress underway related to bond-funded water and sewer systems expected to be completed in 2026.

Government-wide information is presented with comparative data for the prior year for better analysis and trends. The following table provides a summary of the District's changes in net position:

	Governmental Activities				Business-Type Activities			
	2025	2024	$ Change	% Change	2025	2024	$ Change	% Change
Revenues								
Program Revenues:								
Charges for Services & Sales	$ 241,153	$ 247,093	$ (5,940)	-2.4%	$ 7,379,053	$ 7,203,114	$ 175,939	2.4%
Total Program Revenues	241,153	247,093	(5,940)	-2.4%	7,379,053	7,203,114	175,939	2.4%
General Revenues:								
Property Taxes	8,388,118	8,450,853	(62,735)	-0.7%				0.0%
Specific Ownership Taxes	638,133	616,977	21,156	3.4%				0.0%
Investment Earnings	916,977	851,007	65,970	7.8%	1,531,081	1,777,355	(246,274)	-13.9%
Proceeds from Disposal of Capital Assets	23,656	57,000	(33,344)	-58.5%				0.0%
Other	30,680	-	30,680	0.0%				0.0%
Total General Revenues	9,997,564	9,975,837	21,727	0.2%	1,531,081	1,777,355	(246,274)	-13.9%
Total Revenues	10,238,717	10,222,930	15,787	0.2%	8,910,134	8,980,469	(70,335)	-0.8%
Program Expenses:								
General Government	1,912,417	1,833,094	79,323	4.3%				0.0%
Public Works	5,080,256	5,304,806	(224,550)	-4.2%				0.0%
Water and Sewer				0.0%	7,986,388	6,825,631	1,160,757	17.0%
Total Expenses	6,992,673	7,137,900	(145,227)	-2.0%	7,986,388	6,825,631	1,160,757	17.0%
Excess or Deficiency before Transfers	3,246,044	3,085,030	161,014	5.2%	923,746	2,154,838	(1,231,092)	-57.1%
Transfers	(735,000)	(800,000)	65,000	-8.1%	735,000	800,000	(65,000)	-8.1%
Change in Net Position	2,511,044	2,285,030	226,014	9.9%	1,658,746	2,954,838	(1,296,092)	-43.9%
Net Position, Beginning of Year	32,483,885	30,198,855	2,285,030	7.6%	48,800,806	45,845,968	2,954,838	6.4%
Net Position, End of Year	$ 34,994,929	$ 32,483,885	$2,511,044	7.7%	$ 50,459,552	$ 48,800,806	$1,658,746	3.4%

The District maintains a strong balance in net position for both governmental activities and business-type activities (page 13). During 2025, the District's overall financial position increased by

$4,169,790. Net position increased by $2,511,044 in governmental activities and $1,658,746 in business-type activities.

Total revenue remained consistent with prior year, while total expenses increased $1,015,530, or 7.3% in 2025. Water and Sewer program expenses accounted for the year-over-year increase because of higher depreciation on capital assets and additional professional services expenses in business-type activities (see additional information below).

Governmental Activities

Total general revenues in 2025 remained relatively flat from prior year at $9,997,564. The District is dependent upon property tax to fund general governmental operations. Therefore, taxes are reported as general revenue, rather than program revenue. The County conducts a reassessment of property values every two years, in odd-numbered years. Property taxes are collected by the District following the year of assessment. 2025 property tax revenue was similar to 2024 since no revaluation was conducted for the collection year reported. Investment earnings remained strong again in 2025 despite a volatile market and three Federal rate reductions during the year. Program revenue (page 14) of $241,153 primarily consists of charges for services for landscape maintenance services, and accounts for 2.4% of the governmental activities' total revenues.

2025 program expenses were similar to prior year with a slight decrease of $145,227, or 2.0%. The decrease is attributable to one-time investments in capital outlay in 2024 that did not occur in 2025.

Business-Type Activities

Unlike governmental activities, business-type activities derive revenues primarily from program revenues which accounts for nearly 83% of total revenues. The District generates these revenues through direct usage and service fees to customers in the service area, which may be impacted by the number of customers in the service area, rate structure, and actual usage. A monthly increase to the capital improvement fee $10 per property was included in the 2025 budget to support the District's long range infrastructure replacement program providing an increase of $175,939 or 2.4% in charges for services over 2024. No increases were made to other fixed monthly charges or water use rates. General revenues from investment earnings recorded $246,274 less revenue than 2024, resulting in a 0.8% decrease in total revenues of business-type activities when compared to prior year.

Program expenses increased 17.0%, or $1,160,757, from 2024 to 2025, largely related to depreciation and professional services expenses. The increase in depreciation expense is directly correlated with the additional investment in capital assets as depicted in the Statement of Net Position. Professional services costs increased in 2025 because of one-time projects centered on the District's resources, including renewable water and infrastructure, as the District focuses on long-term sustainability goals.

Financial Analysis of the District's Funds

Governmental Fund

As discussed, governmental funds are reported in the individual fund statements using a focus on current financial resources. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The General Fund is the District's only governmental fund and is considered a major fund for reporting purposes. The General Fund reported ending fund balance of $20,267,644 (page 15). Of the total fund balance, $126,968 is nonspendable as inventory and items prepaid for delivery of future goods or services, and $230,000 is restricted by legislation for emergency reserves. The remaining $19,910,676 is unassigned balance available for operational spending.

Total revenues in 2025 were consistent with 2024 as revenue is heavily dependent on property taxes, and there were no valuation changes during the year. Expenditures in the General Fund decreased $535,377, or 7.1%, primarily due to fewer investments in capital outlay from last year. As a result, the excess of revenues over expenditures, before other financing sources and uses, was $3,214,205 in 2025 compared to $2,629,697 in 2024. The General Fund was also able to transfer $735,000 to the Water and Sewer Fund in 2025, a slight reduction compared to an $800,000 transfer in 2024.

When incorporating all financial activities of the fund, the fund balance increased by $2,511,647 in 2025; the increase in fund balance in 2024 was $1,886,697. At December 31, 2025, the District's governmental fund reported a total ending fund balance of $20,267,644 (page 17). This compares to the prior year ending fund balance of $17,755,997 reflecting a healthy operating year and sufficient fund balance for future operational needs.

Proprietary Fund

As an enterprise fund, the Water and Sewer Fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The primary source of revenue in this fund is collected from water, sewer and stormwater fees. The District also reports bond-related activities in this fund because the bond was issued to support infrastructure required for fund operations.

Operating revenue in the Water and Sewer Fund was similar to last year. The monthly capital improvement fee increased by $10 per household in 2025, contributing to a $175,939, or 2.4%, increase in operating revenues for the fund. No other changes in base fees or water usage rates were implemented during the year.

As the District continues to invest in infrastructure and sustainable resources, operating expenses also increased in 2025. Several one-time projects were started to evaluate the District's assets, including renewable water, sanitary sewer and waterlines. These projects will support long-range master plans for rehabilitation and new construction of water and sewer infrastructure in The Village and contributed to an increase in professional services costs of $463,565 over prior year. Additions of capital assets and depreciation balance adjustments increased depreciation expense by $394,798 in 2025 resulting in overall higher expenses over prior year.

Total operating income was $471,428 in 2025, a decrease from 2024's operating income of $1,477,433 due to the increased operating expenses discussed above. While investment earnings were strong again in 2025, revenues in this line were slightly lower than in 2024, resulting in total nonoperating revenues of $452,318, slightly down from $677,405 last year. Combined with an interfund transfer from the General Fund of $735,000, the Water and Sewer Fund ended the year with an increase in net position of $1,658,746, 43.9% lower than 2024's increase in net position of $2,954,838. $33,608,198 of the District's net position is invested in capital assets (page 19) leaving $16,851,354 unrestricted and available for future operational spending.

BUDGETARY HIGHLIGHTS

General Fund

There were no amendments to the original adopted budget in 2025 for the General Fund (page 60). The District recorded $490,482, or 5.0%, total revenues above budget; investment income was the primary driver for this variance along with some additional tax revenues.

Total expenditures were less than budgeted by $2,197,065, or 23.9%, in 2025, which is similar to the variance of $2,492,825 and 24.9% in 2024. Savings realized in the public works function were realized from the District's competitive bidding program for roadway and right of way improvement work, contributing to $1,068,906 savings in this line. The largest single savings area in the general government function was related to vacancy savings in personnel expenditures accounting for $261,754 of the $905,058 budgetary variance, though most of the savings in this line was spread across multiple line items in smaller amounts such as office expenses, training, and utilities.

The District did not spend any of the budgeted operating reserves or capital reserves, which further contributed to an increase in fund balance of $2,511,647 compared to a budgeted decrease in fund balance of $208,342.

Water and Sewer Fund

The District did not amend the 2025 budget for the Water and Sewer Fund (page 70). Total revenues exceeded budget by $1,279,241 or 15.3% in 2025 boosted primarily by investment earnings and charges for services. Despite market uncertainties and interest rate cuts, the District's investment portfolios remained strong on investments of operating funds and remaining bond proceeds. Within the charges for services line, revenues earned on fixed charges are more consistent with budgeted amounts, while water usage experiences greater fluctuations because precipitation, temperature and homeowner preference all contribute to this variance. Similar to prior year, effluent pumping revenue was below budgeted amounts. Revenue in this line is generated through the use of effluent water by the Castle Pines Golf Club and the Country Club at Castle Pines. Rates are contracted with the Plum Creek Water Reclamation Authority and revenue is based on actual use which varies by year.

Total expenses were less than budgeted by $7,288,399, or 25.9% compared to the 2024 variance of $9,889,272, or 53.6%, under budgeted expenses. In the operations and maintenance line, actual spending was under budget by $871,381. Mid-year 2025, the District initiated a program providing homeowners with a one-time credit to incentivize testing of their property's backflow prevention devices. This testing is required by the State of Colorado to protect contaminated water in a home from entering the public water supply. Customer response to the program was uncertain, and less credits were issued in 2025 than anticipated resulting in savings in this line. Unspent budget for these credits will be carried over to 2026 when the program incentive will conclude mid-year. Additional savings were realized in this line because fewer repairs were required to the water and sewer systems than budgeted.

The professional services line expenses were $477,368 below budget because several infrastructure condition assessments are budgeted here and did not reach full completion before year end. The remaining budgets for these services will be spent in 2026 when long-range master plans will be created that will inform future infrastructure investments.

The largest line item variance is capital outlay, where expenses were $5,471,988 under budget. The activity in this line is consumed primarily by two projects funded with the Series 2022 Revenue Bonds: the Water Treatment II Expansion and New Water Tank projects. Actual spending was less than budgeted because of project timing, pushing some budgeted expenses into 2026; both projects will be completed in 2026.

The District is authorized to transfer revenue from the general fund and/or receive grants, as that term is defined in the C.R.S. § 37-45.1-102 in an amount less than 10% of the Enterprise Fund's annual revenues. In 2025 the District transferred $735,000 from the general fund to the enterprise fund.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2025, was $15,069,067 and $49,954,698, respectively. On December 31, 2025, the District's total depreciable capital assets were 46.2% depreciated compared to 46.6% on December 31, 2024. See Note 3 for additional information about changes in capital assets during the calendar year.

The following table provides a summary of capital asset activity:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$	$	$ 1,160,119	$ 1,160,119	$ 1,160,119	$ 1,160,119
Infrastructure	12,854,876	12,854,876			12,854,876	12,854,876
Construction in Progress		37,791	14,962,797	4,730,475	14,962,797	4,768,266
Buildings and Improvements	1,119,692	499,860	6,178,668	6,164,517	7,298,360	6,664,377
Water and Sewer Systems			42,815,808	39,281,008	42,815,808	39,281,008
Machinery and Equipment	3,996,128	4,688,869	9,318,655	10,160,114	13,314,783	14,848,983
Water Rights			3,584,660	2,694,232	3,584,660	2,694,232
Total Capital Assets	17,970,696	18,081,396	78,020,707	64,190,465	95,991,403	82,271,861
Accumulated Depreciation	(2,901,629)	(3,011,709)	(28,066,009)	(26,585,851)	(30,967,638)	(29,597,560)
Total Capital Assets, Net of Accumulated Depreciation	$ 15,069,067	$ 15,069,687	$ 49,954,698	$ 37,604,614	$ 65,023,765	$ 52,674,301

Modified Approach to Infrastructure. The District has adopted the modified approach to report infrastructure in governmental-type activities. Under the modified approach, the expenditures incurred to preserve infrastructure, at or above the governmental designated condition levels, are not capitalized. Therefore, expenditures to improve infrastructures are recorded under the public works function. The actual expense for street maintenance was below budget by $1,068,906. The District's goal is to maintain an excellent rating, or average Pavement Condition Index (PCI) rating of 85 or higher on all streets; this rating allows for minor cracking and oxidation of the pavement with minor roughness that could be noticeable. An assessment of the District's PCI was most recently performed during 2025 resulting in an average PCI of 88.20. This information will be used to prioritize roadway rehabilitation and construction in 2026. Refer to pages 60 - 61 for additional information.

Long-term Liabilities

At the end of the year, the District had long-term liabilities, net of current portion, outstanding of $27,059,157. The total of the District's long-term liabilities represents balances of the 2022 Revenue Bond, Drinking Water Revolving Fund loans, the net pension and net OPEB liabilities, and compensated absences. See Note 5 for additional information.

The following table summarizes the District's total outstanding long-term liabilities (including amounts due within one year) at December 31, 2025 and 2024:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
DWRF Loans	$	$	$ 953,406	$ 1,180,366	$ 953,406	$ 1,180,366
2022 Revenue Bonds			24,610,000	24,870,000	24,610,000	24,870,000
2022 Revenue Bond Premium			800,498	830,611	800,498	830,611
Compensated Absences	33,638	34,047	41,489	53,854	75,127	87,901
Net OPEB Liability	25,201	38,195	34,801	52,746	60,002	90,941
Net Pension Liability	449,128	535,396	620,225	739,357	1,069,353	1,274,753
Total Long-Term Liabilities	$ 507,967	$ 607,638	$ 27,060,419	$ 27,726,934	$ 27,568,386	$ 28,334,572

Economic Conditions Affecting the District

The District's economy is primarily residential but also includes some commercial properties. Residential development continues at a steady rate throughout the Denver metropolitan area as well as within the District boundaries. The District is nearly built out, at which point charges for services will begin to plateau year over year in the Water and Sewer Fund. Property taxes continue to be the major revenue source in the General Fund with a total of 33.834 mills levied in 2026.

The District continues progress on development of critical water infrastructure, which is heavily funded with the 2022 Revenue Bond. Expansion of a water treatment plant and construction of a new water tank will fully spend down the remaining bond funds in 2026; the District plans to use operational funding to supplement the cost of these two assets. However, much of the District's aging infrastructure still needs replacement to prioritize public health and safety of the community. The District will incorporate results of master plans that are currently under development to inform repair and replacement of water and sewer systems into the future.

Request for Information

This financial report is designed to provide a general overview of the District's financial activity, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. Questions concerning any of the information provided in this report, or request for additional information should be addressed to Castle Pines Metropolitan District, Attn: Joshua Shackelford, 5880 Country Club Drive, Castle Rock, Colorado, 80108.

Basic Financial Statements

CASTLE PINES METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Current Assets			
Cash and Cash Equivalents	$ 3,830,013	$ 4,731,525	$ 8,561,538
Cash with Fiscal Agent	53,296		53,296
Investments	15,628,076	13,224,152	28,852,228
Receivables			
Accounts Receivable	58,023	483,986	542,009
Property Taxes	8,545,458		8,545,458
Prepaid Expenses	123,935	116,186	240,121
Inventory	3,033		3,033
Internal Balances	879,567	(879,567)	
Total Current Assets	29,121,401	17,676,282	46,797,683
Noncurrent Assets			
Restricted Cash		16	16
Restricted Investments		16,156,566	16,156,566
Capital Assets			
Nondepreciable Capital Assets	12,854,876	16,122,916	28,977,792
Depreciable Capital Assets, Net	2,214,191	33,831,782	36,045,973
Total Noncurrent Assets	15,069,067	66,111,280	81,180,347
Total Assets	44,190,468	83,787,562	127,978,030
Deferred Outflows of Resources			
Deferred Outflows of OPEB	5,754	7,946	13,700
Deferred Outflows Pension	178,480	246,473	424,953
Total Deferred Outflows of Resources	184,234	254,419	438,653
Total Assets and Deferred Outflows of Resources	44,374,702	84,041,981	128,416,683
Liabilities and Deferred Inflows of Resources			
Liabilities			
Current Liabilities			
Accounts Payable	308,299	6,374,691	6,682,990
Customer Deposits		26,176	26,176
Accrued Interest Payable		96,218	96,218
Compensated Absences Payable, Current	2,500	2,500	5,000
Loans Payable, Current		234,229	234,229
Bond Payable, Current		270,000	270,000
Total Current Liabilities	310,799	7,003,814	7,314,613
Long-Term Liabilities			
Compensated Absences Payable, Net of Current	31,138	38,989	70,127
Loans Payable, Net of Current		719,177	719,177
Bond Payable, Net of Current		24,340,000	24,340,000
Net OPEB Liabilitiy	25,201	34,801	60,002
Net Pension Liability	449,128	620,225	1,069,353
Bond Premium		800,498	800,498
Total Long-Term Liabiliites	505,467	26,553,690	27,059,157
Total Liabilities	816,266	33,557,504	34,373,770
Deferred Inflows of Resources			
Deferred Property Tax Revenue	8,545,458		8,545,458
Deferred Inflows OPEB	18,049	24,925	42,974
Total Deferred Inflows of Resources	8,563,507	24,925	8,588,432
Total Liabilities and Deferred Inflows of Resources	9,379,773	33,582,429	42,962,202
Net Position			
Net Investment in Capital Assets	15,069,067	33,608,198	48,677,265
Restricted for			
Emergency Reserve - TABOR	230,000		230,000
Unrestricted	19,695,862	16,851,354	36,547,216
Total Net Position	$ 34,994,929	$ 50,459,552	$ 85,454,481

CASTLE PINES METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025

		Program Revenues			Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Function/Program							
Governmental Activities							
General Government	$ 1,912,417	$	$	$	$ (1,912,417)	$	$ (1,912,417)
Public Works	5,080,256	241,153			(4,839,103)		(4,839,103)
Total Governmental Activities	6,992,673	241,153			(6,751,520)		(6,751,520)
Business-Type Activities							
Water and Sewer	7,986,388	7,379,053				(607,335)	(607,335)
Total Business-Type Activities	7,986,388	7,379,053				(607,335)	(607,335)
Total Primary Government	$ 14,979,061	$ 7,620,206	$	$	(6,751,520)	$ (607,335)	$ (7,358,855)
		General Revenues					
		Property Taxes			8,388,118		8,388,118
		Specific Ownership Taxes			638,133		638,133
		Investment Earnings			916,977	1,531,081	2,448,058
		Other Revenue			30,680		30,680
		Gain on Disposal of Capital Assets			23,656		23,656
		Total General Revenues			9,997,564	1,531,081	11,528,645
		Transfers			(735,000)	735,000	
		Change in Net Position			2,511,044	1,658,746	4,169,790
		Net Position, Beginning of Year			32,483,885	48,800,806	81,284,691
		Net Position, End of Year			$ 34,994,929	$ 50,459,552	$ 85,454,481

CASTLE PINES METROPOLITAN DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2025

		General Fund
Assets		
Current Assets		
Cash and Cash Equivalents	$	3,830,013
Cash with Fiscal Agent		53,296
Investments		15,628,076
Accounts Receivable		58,023
Property Taxes		8,545,458
Prepaid Expenses		123,935
Inventory		3,033
Interfund Receivable		879,567
Total Current Assets		29,121,401
Liabilities and Fund Balances		
Current Liabilities		
Accounts Payable		308,299
Total Current Liabilities		308,299
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes		8,545,458
Fund Balance		
Nonspendable		
Inventory		3,033
Prepaid Items		123,935
Restricted		
Emergency Reserve - TABOR		230,000
Unassigned		19,910,676
Total Fund Balance		20,267,644
Total Liabilities and Fund Balances	$	29,121,401

See the notes to the basic financial statements.

CASTLE PINES METROPOLITAN DISTRICT

RECONCILIATION OF THE GOVERNMENT FUND BALANCE SHEET TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
December 31, 2025

Total Governmental Fund Balance		$ 20,267,644
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. However, in the statement of net position, the cost of these assets is capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	$ 5,115,820	
Less: Accumulated depreciation	(2,901,629)	2,214,191
Infrastructure donated by developers is not a financial resource and, therefore, not reported in the funds. However, in the statement of net position, the value of this asset is capitalized.		12,854,876
Pension plan accounts, such as deferred inflows/outflows and net pension liability, are not receivable or payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(449,128)
Deferred outflows of resources		178,480
Deferred outflows/inflows and net OPEB liability, are not receivable or payable in the current period and, therefore, are not reported in the funds.		
Net OPEB liability		(25,201)
Deferred outflows of resources		5,754
Deferred inflows of resources		(18,049)
Liabilities that are not due and payable in the current period are not reported at the fund reporting level.		
Compensated absences		(33,638)
Net Position of Governmental Activities		$ 34,994,929

CASTLE PINES METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the Year Ended December 31, 2025

	General Fund
Revenues	
Property Taxes	$ 8,388,118
Specific Ownership Tax	638,133
Investment Income	916,977
Charges for Services	241,153
Other Revenue	30,680
Total Revenues	10,215,061
Expenditures	
Current	
General Government	1,885,363
Public Works	4,907,254
Capital Outlay	208,239
Total Expenditures	7,000,856
Excess of Revenues Over Expenditures	3,214,205
Other Financing Sources (Uses)	
Transfers Out	(735,000)
Proceeds from Disposal of Assets	32,442
Total Other Financing Sources (Uses)	(702,558)
Net Change in Fund Balance	2,511,647
Fund Balance, Beginning of Year	17,755,997
Fund Balance, End of Year	$ 20,267,644

CASTLE PINES METROPOLITAN DISTRICT

RECONCILIATION OF THE GOVERNMENT FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF

For the Year Ended December 31, 2025

Net Changes in Fund Balances - Total Governmental Fund	$ 2,511,647
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(292,245)
Capital outlay	208,239
Loss on disposal of assets	(8,786)
Net effect of capital asset balance adjustments	92,172
Pension and OPEB expense related to changes in the pension liability, deferred ourflows of resources and deferred inflows of resources of the cost-sharing multiple-employer defined benefit pension plan and health trust plan are recognized on a government-wide basis and not included in the fund statements.	
Pension	(8,132)
OPEB	7,740
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Liability at December 31, 2025	(33,638)
Liability at December 31, 2024	34,047
Change in Net Position of Governmental Activities	$ 2,511,044

CASTLE PINES METROPOLITAN DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
December 31, 2025

	Water and Sewer Fund
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	$ 4,731,525
Investments	13,224,152
Accounts Receivable	483,986
Prepaid Expenses	116,186
Total Current Assets	18,555,849
Noncurrent Assets	
Restricted Cash	16
Restricted Investments	16,156,566
Capital Assets	
Nondepreciable Capital Assets	16,122,916
Depreciable Capital Assets, Net	33,831,782
Total Noncurrent Assets	66,111,280
Total Assets	84,667,129
Deferred Outflows of Resources	
Deferred Outflows OPEB	7,946
Deferred Outflows Pension	246,473
Total Deferred Outflows of Resources	254,419
Total Assets and Deferred Outflows of Resources	84,921,548
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts Payable	6,374,691
Customer Deposits	26,176
Accrued Interest Payable	96,218
Compensated Absences Payable, Current	2,500
Loans Payable, Current	234,229
Bond Payable, Current	270,000
Interfund Payable	879,567
Total Current Liabilities	7,883,381
Long-Term Liabilities	
Compensated Absences Payable, Net of Current	38,989
Loans Payable, Net of Current	719,177
Bond Payable, Net of Current	24,340,000
Net OPEB Liability	34,801
Net Pension Liability	620,225
Bond Premium	800,498
Total Long-Term Liabilities	26,553,690
Total Liabilities	34,437,071
Deferred Inflows of Resources	
Deferred Inflows OPEB	24,925
Total Deferred Inflows of Resources	24,925
Total Liabilities and Deferred Inflows of Resources	34,461,996
Net Position	
Net Investment in Capital Assets	33,608,198
Unrestricted	16,851,354
Total Net Position	$ 50,459,552

CASTLE PINES METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND

For the Year Ended December 31, 2025

		Water and Sewer Fund
Operating Revenues		
Charges for Services, Pledged to Debt	$	7,206,999
Effluent Pumping		93,052
Other Revenue		79,002
Total Operating Revenues		7,379,053
Operating Expenses		
Operations and Maintenance		1,941,269
Depreciation		1,746,681
Personnel Services		1,597,439
Professional Services		698,207
Utilities		598,576
General Overhead		294,211
Miscellaneous Expense		31,242
Total Operating Expenses		6,907,625
Operating Income		471,428
Nonoperating Revenues (Expenses)		
Interest and Fiscal Charges		(1,078,763)
Investment Earnings		1,531,081
Total Nonoperating Revenues (Expenses)		452,318
Income Before Transfers		923,746
Transfers In		735,000
Change in Net Position		1,658,746
Net Position, Beginning of Year		48,800,806
Net Position, End of Year	$	50,459,552

CASTLE PINES METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended December 31, 2025

	Water and Sewer Fund
Cash Flows from Operating Activities	
Cash Received from Customers	$ 7,325,084
Cash Payments to Employees	(1,220,523)
Cash Paid for Goods and Services	(3,867,339)
Net Cash from Operating Activities	2,237,222
Cash Flows from Noncapital Financing Activities	
Transfers from Other Funds	1,719,437
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Long-Term Liabilities	(517,073)
Interest Paid on Long-Term Liabilities	(1,081,651)
Purchase of Capital Assets and Construction in Progress	(8,631,498)
Net Cash from Capital and Related Financing Activities	(10,230,222)
Cash Flows from Investing Activities	
Net Sales of Investments	4,370,192
Interest Received	1,266,655
Net Cash from Investing Activities	5,636,847
Net Change in Cash and Cash Equivalents	(636,716)
Cash and Cash Equivalents, Beginning of Year	5,368,257
Cash and Cash Equivalents, End of Year	$ 4,731,541
Cash and Cash Equivalents Consists of:	
Cash and Cash Equivalents	$ 4,731,525
Restricted Cash	16
Total Cash and Cash Equivalents, End of Year	$ 4,731,541
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating Income	$ 471,428
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities	
Depreciation and Amortization Activities	
Depreciation Expense	1,746,681
Non-cash Capital Asset Adjustments	31,242
Changes in Assets and Deferred Outflows	
Accounts Receivable	(27,540)
Prepaid Expenses	28,444
Deferred Outflows	129,856
Changes in Liabilities and Deferred Inflows	
Accounts Payable	16,634
Unearned Revenue	(26,429)
Compensated Absences Payable	(12,365)
Customer Deposits	8,586
Net Pension and OPEB Liabilities	(137,077)
Deferred Inflows	7,762
Net Cash from Operating Activities	$ 2,237,222
Schedule of Noncash Investing, Capital, and Financing Activities	
Unrealized Gain (Loss) on Investments	$ 264,426

Notes to the Basic Financial Statements

1. Summary Of Significant Accounting Policies

Castle Pines Metropolitan District (the District) was organized by a court order on June 14, 1973 following an election by the property owners in the District and is governed by an elected five-member Board of Directors. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the activities of the District, which is legally separate from and financially independent of other state and local governments.

The primary functions of the District are to provide street repair and maintenance, snow removal, road right-of-way maintenance, water treatment and distribution, sewer collection and storm drainage management services to the property owners of Castle Pines Village.

The financial statements of the District have been prepared in conformity with GAAP as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the District's accounting policies are described below.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District.

> Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization or (2) the District is legally entitled to or can otherwise access the organization's resources, the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization.

Component units also may include organizations that are fiscally dependent on the District in that the District approves the budget, levies their taxes or issues their debt. Based upon the above criteria, the reporting entity includes the District and does not include any component units, nor is the District a component unit of another entity.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements: The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all activities of the primary government. Eliminations have been made in the government-wide statements to minimize duplication of internal activities, except for interfund services provided and used. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which significantly rely on fees and charges for support.

The statement of net position presents the financial position of the governmental and business-type activities of the District.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and for each identifiable business-type activity of the District. A function groups related activities and may include portions of one or more funds to capture the expenses and program revenues associated with a specific functional activity. Direct expenses are those that are specifically associated with a clearly identifiable function. The District does not allocate indirect expenses to functions in the statement of activities.

Program revenues include: (1) charges to customers who purchase, use, or directly benefit from goods or services provided by the programs, (2) operating grants and contributions which finance annual operating activities, including restricted investment income, and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for service is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the District.

Fund Financial Statements: The District uses funds to maintain its financial transactions related to certain District functions or activities to aid in financial management and demonstrate legal compliance. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District uses two categories of funds: governmental and proprietary. Major individual governmental and enterprise funds are reported in separate columns.

Governmental funds are those through which most governmental functions are typically financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The District reports the difference between governmental fund assets, liabilities and deferred outflows and inflows of resources as fund balance. The District reports the following major governmental fund:

- General Fund: The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund's unassigned fund balance is available to the District for any purpose, provided it is expended or transferred according to the general laws of Colorado.

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses generally result from providing services or delivering goods in connection with the fund's principal ongoing operations. The District uses one proprietary fund, classified as a major enterprise fund, as described below:

- Water and Sewer Fund: The Water and Sewer Fund is used for the District's water distribution and sewer collection activities.

Measurement Focus

Government-Wide Financial Statements: The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities and deferred outflows and inflows of resources associated with the operation of the District are included in the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements: All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and certain deferred outflows and inflows of resources are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets, liabilities and deferred outflows and inflows of resources associated with the operation of these funds are included in the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. At the fund reporting level, the governmental fund uses the modified accrual basis of accounting. The proprietary fund uses the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of unearned revenue and certain expenditures, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, the phrase “available for exchange transactions” means expected to be received within 60 days of year end.

Revenues – Nonexchange Transactions: Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available (i.e., collected within 60 days) before it can be recognized.

Unearned Revenue: Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as unearned revenue or as deferred inflows of resources related to a timing eligibility requirement.

Expenses/Expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, amounts deposited in the bank, and pooled state-regulated investment accounts subject to immediate withdrawal, purchased with an original maturity date of three months or less. Investments are stated at fair value.

Receivables

Receivables consist of taxes receivable and accounts receivable (billings for user charges). Receivables are recorded on the District's financial statements to the extent that the amounts are determined to be material and substantiated, not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and, in the case of receivables, collectability.

Tap fees, user fees and similar fees set from time to time by the District's governing board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed upon as provided by the laws of the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "interfund receivables/interfund payables”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Inventory

Inventories are valued at cost using the first-in/first-out method. The costs of inventories are recorded as expenditures when used (consumption method).

Capital Assets

Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The District reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column of the government-wide statement of net position and in the enterprise fund's statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, including infrastructure donated by developers, are recorded at acquisition value as of the date received. The District maintains a capitalization threshold of $5,000. Improvements to existing capital assets are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets used by the enterprise fund is capitalized.

The District's infrastructure consists of roads. The District uses the modified approach for reporting infrastructure for governmental capital assets.

All reported capital assets are depreciated except for land, easements, construction in progress and infrastructure. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	50 - 60 years
Water and Sewer Systems	20 – 100 years
Machinery and Equipment	1 – 20 years
Water Rights	10-100 years

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position applicable to a future period. Deferred outflows of resources are presented in a separate section on the statement of net position and are not recognized as expenses or reductions in liabilities until the period in which they relate. The District has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 (*GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets applicable to a future period. Deferred inflows of resources are presented in a separate section in the statement of net position will be recognized as revenues or increases in assets in the period in which they relate. The District has recognized deferred inflows of resources in the government-wide financial statements in accordance with presentation requirements for property tax revenue, GASB 68 and GASB 75.

Compensated Absences

Paid time off (PTO) benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through PTO or some other means. All compensated absence liabilities include salary-related payments, where applicable. Upon separation, eligible employees receive pay for earned, unused PTO time at their current hourly rate equivalent up to a maximum of 160 hours.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and proprietary funds. Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. Compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

Fund Balance Policies

Fund balance for governmental funds is reported in various categories based on the nature of limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment or an assignment. The following classifications describe the relative strength of the spending constraints:

Nonspendable: Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted: Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation

Committed: Includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Directors, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Directors.

Assigned: Includes amounts the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's adopted policy, amounts may be assigned by the District Manager.

Unassigned: Includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund

The District considers restricted fund balance to be depleted before using any of the components of unrestricted fund balance (the total of committed, assigned and unassigned fund balance).

When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Directors or District Manager provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. This net position amount also is adjusted by any debt premiums and discounts. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the District or other government or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

Outlays may be incurred for purposes for which both restricted and unrestricted resources are available. In order to calculate the amounts to report in the government-wide and propriety fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District considers restricted net position to be depleted before unrestricted net position.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in two equal installments due February 28 and June 15, if paid in installments, or April 30, if paid in a single payment. Taxes are delinquent as of August 1. If the taxes are not paid within subsequent statutory periods, the property will be sold at public auction. Douglas County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible. The District levied 33.834 mills for property taxes collected in 2025.

Contributions Of Capital

Contributions of capital in government-wide and proprietary fund financial statements arise from outside contributions of capital assets, tap fees or from other outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources (uses) in governmental funds, and after the nonoperating revenues (expenses) section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Information

Annual budgeting is used as a management control device during the year for all funds. Formal budgetary integration is also employed to comply with the Local Government Budget Law of the State of Colorado. The Board of Directors adopted the District's budget in accordance with Colorado Revised Statutes (C.R.S.). Appropriation for all funds lapses at year end.

The appropriated budget is prepared by fund, function and department. The District's department head may recommend a transfer of appropriations within a department function. Transfer of appropriations between funds requires the approval of the Board of Directors.

The budget for the General Fund is adopted on a basis which is consistent with GAAP. The budget for the proprietary fund is adopted on a basis which differs from GAAP in that pension expenses are not included, and debt principal payments and capital expenditures are included in the budget. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level. Total fund expenditure amounts, including transfers out, determine the level at which expenditures may not legally exceed appropriations. C.R.S. requires the District to adopt a balanced budget. The District's Board of Directors can amend the budget and adopt supplemental budgets in accordance with C.R.S. The District did not amend the 2025 budget.

Pensions

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multi-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense information about the fiduciary net position (FNP), and additions to/deductions from the FNP of LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit (OPEB) Plan
The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncements
In 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 102, Certain Risk Disclosures. GASB Statement No. 102 requires governments to disclose additional information about risks related to a government's vulnerability of substantial impact due to certain concentrations or constraints. There is no impact to the District's financial statements for 2025

2. Cash And Investments

Deposits
The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is $250,000 per official custodian. At December 31, 2025, the District had uninsured bank deposits collateralized with securities held by the pledging financial institution and covered by eligible collateral as determined by PDPA.

Investments
The District's investment policy limits investment instruments to the following:

- United States Treasury and agency issues
- Government sponsored enterprises
- State and local government debt issues
- Corporate debt under C.R.S. 24-75-601.l(m)(III)
- Local government investment pools authorized under C.R.S. 24-75-702
- Money market funds authorized under C.R.S. 24-75-601.l(l)(k)
- Certificates of deposit in state or national banks or in state or federally chartered savings banks as authorized by C.R.S. Section 24-75-603, et seq., are insured by FDIC. The selected bank(s) shall collateralize certificates of deposit that exceed the FDIC-insured amount in accordance with PDPA, C.R.S. 11-10.5-101, et seq.

- Repurchase agreements and reverse repurchase agreements
- U.S. member supranational debt

As of December 31, 2025, the District had invested $5,206,741 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST is valued using the net asset value per share (or its equivalent) of the investments, which approximates fair value. COLOTRUST investments do not have any unfunded commitments, redemption restrictions or redemption notice periods.

This investment pool was established for local government entities in Colorado to pool surplus funds for investment purposes by state statute. These funds operate similarly to a money market fund, and each share is equal in value to $1.00. Investments in local government investment pools are not evidenced by securities that exist in physical or book form. Investments consist of U.S. Treasury bills, notes and repurchase agreements collateralized by U.S. Treasury securities. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. Financial statements for COLOTRUST may be obtained at www.colotrust.com. The State Securities Commissioner administers and enforces all state statutes governing COLOTRUST.

Interest Rate Risk: The District's investment policy states that the District will appropriately diversify the investment portfolio among investment types and maturities as a means of limiting its exposure to fair value losses arising from changes in interest rates.

Credit Risk: The District's investment policy limits investments in higher risk instruments, such as derivatives. The policy does not specifically address nationally recognized credit ratings for investments.

Concentration Of Credit Risk: The District's investment policy limits over concentration in securities from specific issuers, a business sector, excluding U.S. Treasury Securities, or a single class of securities. District investments as of December 31, 2025 consisted of 1.09% Federal Home Loan Bank investments.

Fair Value: The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using matrix pricing model. Level 3 inputs are significant unobservable inputs.

The District has the following fair value measurements as of December 31, 2025:

		Fair Value Measurements Using		
Investments by Fair Value Level	**December 31, 2025**	**Level 1**	**Level 2**	**Level 3**
US Agency Obligations	$ 526,016	$	$ 526,016	$
US Treasury Notes	27,187,443		27,187,443	
Municipal Bonds	6,324,023		6,324,023	
Money Market Funds	10,971,312	10,971,312		
Total Investments by Fair Value Lev	$ 45,008,794	$ 10,971,312	$ 34,037,482	$

At December 31, 2025, the District had the following investments and maturities:

Investment Type	**Fair Value**	**S&P Rating**	**Maturity**
US Agency Obligations	$ 526,016	AA+	2028
US Treasury Notes	27,187,443	N/A	2026 - 2029
Municipal Bonds	6,324,023	AA - AAA	2026
Money Market Funds	10,971,312	N/A	N/A
Total Investments	$ 45,008,794		

Investments in COLOTRUST are classified as cash and cash equivalents for financial statement presentation due to the liquid nature of the investments. Cash, cash equivalents and investments reported on the statement of net position at December 31, 2025 are as follows:

	Governmental Activities	**Business-Type Activities**
Cash and Cash Equivalents	$ 3,830,013	$ 4,731,525
Cash with Fiscal Agent	53,296	
Restricted Cash		16
Total Cash and Cash Equivalents	3,883,309	4,731,541
Investments	15,628,076	13,224,152
Restricted Investments		16,156,566
Total Investments	15,628,076	29,380,718
Total Cash and Investments	$ 19,511,385	$ 34,112,259

Investment income (loss) for the year ended December 31, 2025 are as follows:

	Governmental Fund	Proprietary Fund	Total
Investment Earnings	$ 676,321	$ 1,266,655	$ 1,942,976
Unrealized Gain	240,656	264,426	505,082
Total Investment Earnings	$ 916,977	$ 1,531,081	$ 2,448,058

3. Capital Assets

Governmental activities capital asset activity for the year ended December 31, 2025 is as follows:

	Balance December 31, 2024	Additions	Deductions	Adjustments	Balance December 31, 2025
Governmental Activities					
Capital Assets Not Being Depreciated					
Infrastructure	$ 12,854,876	$	$		$ 12,854,876
Construction In Progress	37,791			(37,791)	
Total Capital Assets Not Being Depreciated	12,892,667			(37,791)	12,854,876
Depreciable Capital Assets					
Building and Improvements	499,860			619,832	1,119,692
Machinery and Equipment	4,688,869	208,239	(305,347)	(595,633)	3,996,128
Total Depreciable Capital Assets	5,188,729	208,239	(305,347)	24,199	5,115,820
Accumulated Depreciation					
Building and Improvements	(177,291)	(28,090)		(294,923)	(500,304)
Machinery and Equipment	(2,834,418)	(264,155)	296,561	400,687	(2,401,325)
Total Accumulated Depreciation	(3,011,709)	(292,245)	296,561	105,764	(2,901,629)
Total Capital Assets Being Depreciated, Net	2,177,020	(84,006)	(8,786)	129,963	2,214,191
Governmental Activities Capital Assets, Net	$ 15,069,687	$ (84,006)	$ (8,786)	$ 92,172	$ 15,069,067

Business-type activities capital asset activity for the year ended December 31, 2025 is as follows:

	Balance December 31, 2024	Additions	Deductions	Adjustments	Balance December 31, 2025
Business-Type Activities					
Capital Assets Not Being Depreciated					
Land	$ 1,160,119	$	$	$	$ 1,160,119
Construction In Progress	4,730,475	14,044,890	(3,812,568)		14,962,797
Total Capital Assets Not Being Depreciated	5,890,594	14,044,890	(3,812,568)		16,122,916
Depreciable Capital Assets					
Building and Improvements	6,164,517	222,809	(16,406)	(192,252)	6,178,668
Water and Sewer Systems	39,281,008	3,447,867	(275,876)	362,809	42,815,808
Machinery and Equipment	10,160,114	225,014	(5,482)	(1,060,990)	9,318,656
Water Rights	2,694,232			890,428	3,584,660
Total Depreciable Capital Assets	58,299,871	3,895,690	(297,764)	(5)	61,897,792
Accumulated Depreciation					
Building and Improvements	(3,331,498)	(122,385)	16,406	149,356	(3,288,121)
Water and Sewer Systems	(17,388,493)	(1,178,150)	275,876	2,434,918	(15,855,849)
Machinery and Equipment	(4,909,829)	(367,914)	5,482	(2,440,924)	(7,713,185)
Water Rights	(956,031)	(78,232)		(174,592)	(1,208,855)
Total Accumulated Depreciation	(26,585,851)	(1,746,681)	297,764	(31,242)	(28,066,010)
Total Capital Assets Being Depreciated, Net	31,714,020	2,149,009		(31,247)	33,831,782
Governmental Activities Capital Assets, Net	$ 37,604,614	$ 16,193,899	$ (3,812,568)	$ (31,247)	$ 49,954,698

Depreciation Expense by Function	
Governmental Activities:	
General Government	$ 27,071
Public Works	265,174
Total Governmental Activities Depreciation Expense	$ 292,245
Business-Type Activities:	
Water and Sewer	$ 1,746,681
Total Business-Type Activities Depreciation Expense	$ 1,746,681

Infrastructure

Historically, infrastructure assets were not reflected within the accounting records, nor was consumption of these assets measured. This category of assets typically includes roads, curbs and gutters, drainage systems, etc.

GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis For State And Local Governments,* provides an alternative approach to depreciation for measuring the value of infrastructure assets and the related costs incurred to maintain their service lives at a locally established minimum standard. In order to adopt this alternative method, the District has elected to use the modified approach and has developed an asset management system which will determine if the minimum standards are being maintained. Total infrastructure recorded in the government-wide governmental activities capital assets is $12,854,876 at December 31, 2025.

4. Interfund Balances

Interfund balances reported on the statement of net position at December 31, 2025 consisted of the following amounts and represented charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period and (3) payments between funds are made.

	Due From	Due To
General Fund	$ 879,567	
Water and Sewer Fund		879,567
Total	$ 879,567	$ 879,567

Interfund transfers represent annual funds transferred from the General Fund to the Water and Sewer Fund.

	Transfer In	Transfer Out
General Fund	$	$ 735,000
Water and Sewer Fund	735,000	
Total	$ 735,000	$ 735,000

5. Long-Term Liabilities

Changes in the District's long-term liabilities consisted of the following for the year ended December 31, 2025 (see the next section for explanation of Drinking Water Revolving Fund (DWRF) loans and Revenue Bond):

	Balance December 31, 2024	Additions	Deductions	Balance December 31, 2025	Due Within One Year
Governmental Activities					
Compensated Absences	$ 34,047	$	$ (409)	$ 33,638	$ 2,500
Net OPEB Liability	38,195		(12,994)	25,201	
Net Pension Liability	535,396		(86,268)	449,128	
Total Governmental Activities	607,638		(99,671)	507,967	2,500
Business-Type Activities					
Direct Placement Loan					
DWRF Loan - May 2006 (a)	277,089		(135,971)	141,118	141,118
DWRF Loan - November 2006 (b)	42,534		(16,541)	25,993	17,167
DWRF Loan - October 2014 (c)	860,743		(74,448)	786,295	75,944
Bonded Debt Obligations					
2022 Revenue Bond	24,870,000		(260,000)	24,610,000	270,000
2022 Revenue Bond Premium	830,611		(30,113)	800,498	
Other Obligations					
Compensated Absences	53,854		(12,365)	41,489	2,500
Net OPEB Liability	52,746		(17,945)	34,801	
Net Pension Liability	739,357		(119,132)	620,225	
Total Business-Type Activities	$ 27,726,934	$	$ (666,515)	$ 27,060,419	$ 506,729

The compensated absences liability will be paid from the fund from which the employees' salaries are paid, typically by allocation of the job description between the General Fund and Enterprise Fund.

Business-Type Activities

a. On May 25, 2006, the District entered into a DWRF loan with the Colorado Water Resources and Power Development Authority (CWRPDA) in the principal amount of $2,000,000 for 20 years at an annual interest rate of 3.75% for construction of a transfer station and associated piping to enable the transfer of raw water between the District's water treatment plants. The loan is payable from and collateralized by the District's water and sewer revenues in the amount of approximately $1,160,790 through 2026. Principal and interest paid for the current year and pledged revenues received were each $145,099. The proportion of the pledged revenue to total water and sewer revenues is not estimable because annual total fees collected fluctuate. The repayment schedule for the loan as of December 31, 2025, including interest, is as follows:

Year	Principal	Interest	Total
2026	$141,118	$3,981	$145,099
Total	$141,118	$3,981	$145,099

b. On November 6, 2006, the District obtained an additional DWRF loan with CWRPDA in the principal amount of $250,000 for 20 years at an annual interest rate of 3.75% for additional costs associated with the project. The loan is payable from and collateralized by the District's water and sewer revenues in the amount of approximately $152,855 through 2027. Principal and interest paid for the current year and pledged revenues received were each $17,982. The proportion of the pledged revenue to total water and sewer revenues is not estimable because annual total fees collected fluctuate. The repayment schedule for the loan as of December 31, 2025, including interest, is as follows:

Year	Principal	Interest	Total
2026	$ 17,167	$ 815	$ 17,982
2027	8,826	165	8,991
Total	$ 25,993	$ 980	$ 26,973

c. On October 30, 2014, the District obtained an additional DWRF loan with CWRPDA for principal authorized up to $1,800,000 for 20 years at an annual interest rate of 2.00% for construction of a water transfer line. Repayment of the loan began November 1, 2015. On April 4, 2016, the District obtained a revised loan repayment schedule for the original DWRF loan of $1,800,000 with a loan reduction amount of $328,515. The District completed construction on the water transfer line in December 2015; however, the loan funds were not drawn from CWRPDA until 2016. The loan is payable from and collateralized by the District's water and sewer revenues in the amount of approximately $1,506,314 through 2035. Principal and interest paid for the current year and pledged revenues received were $91,292. The proportion of the pledged revenue to total water and sewer revenues is not estimable because annual total fees collected fluctuate. The repayment schedule for the loan as of December 31, 2025, including interest, is as follows:

Year	Principal		Interest		Total	
2026	$	75,944	$	15,348	$	91,292
2027		77,470		13,822		91,292
2028		79,027		12,265		91,292
2029		80,616		10,676		91,292
2030		82,236		9,055		91,291
2031 - 2035		391,002		19,810		410,812
Total	$	786,295	$	80,976	$	867,271

d. On May 22, 2022, the District issued $25,115,000 of Water and Wastewater Enterprise Revenue Bonds, Series 2022, with interest ranging from 4% to 5%. The purpose of this bond is to pay for capital improvements over the next five years. The bond is payable from and collateralized by the District's net pledged revenue, which is defined as gross revenue less operation and maintenance expenses. Principal and interest payments are due June 1 and December 1 in varying amounts through December 1, 2052. Principal and interest paid for the current year was $1,343,950. The repayment schedule for the bond as of December 31, 2025, including interest, is as follows:

Year	Principal		Interest		Total	
2026	$	270,000	$	1,070,950	$	1,340,950
2027		440,000		1,057,450		1,497,450
2028		470,000		1,035,450		1,505,450
2029		495,000		1,011,950		1,506,950
2030		520,000		987,200		1,507,200
2031 - 2035		3,055,000		4,520,000		7,575,000
2036 - 2052		19,360,000		7,803,800		27,163,800
Total	$	24,610,000	$	17,486,800	$	42,096,800

Covenants

The DWRF loans and Series 2022 Revenue Bonds have rate covenants requiring sufficient rates and service charges for use of the water system to produce gross revenue, defined by the loan and bond documents, for each calendar year sufficient to pay the sum of operations and maintenance costs, defined by the loan and bond documents, plus 110% of the debt service due on the outstanding bond and debt service coming due during the calendar year on any obligations secured by a lien on the pledged property. In addition, an amount is to be paid each year into any debt service reserve account and a sum equal to the debt service on any obligations secured by pledged property, as well as amounts necessary to pay and discharge all charges and liens or other indebtedness not described above payable out of revenues during the year.

6. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the LGDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal

Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2024. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- $15 times the first 10 years of service credit plus $20 times the service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the

LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. For Safety Officers whose disability is caused by an on- the-job injury, the five-year service requirement is waived and they are immediately eligible to apply for disability benefits. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of December 31, 2025: Eligible employees of the District and the State are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements for the LGDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of 01/01/2025 through 12/31/2025 are summarized in the following table:

	January 1, 2024 through December 31, 2024	January 1, 2025 through December 31, 2025
Employee contribution (all employees other than Safety Officers)	9.00%	9.00%

*Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees other than Safety Officers are summarized in the following table:

	January 1, 2024 through December 31, 2024	January 1, 2025 through December 31, 2025
Employer contribution rate	11.00%	11.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
Amount apportioned to the LGDTF	9.98%	9.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%	1.50%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.08%	0.11%
Total employer contribution rate to the LGDTF	**13.76%**	**13.79%**

*Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were $210,547 for the year ended December 31, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for the LGDTF was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TPL to December 31, 2024. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2024 relative to the total contributions of participating employers.

At December 31, 2025, the District reported a liability of $1,069,353 for its proportionate share of the net pension liability.

At December 31, 2024, the District's proportion was 0.17427%, which was an increase of 0.00061% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the District recognized a pension expense of $229,908. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 80,691	$ --
Changes of assumptions or other inputs	31,560	--
Net difference between projected and actual earnings on pension plan investments	100,630	--
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,525	--
Contributions subsequent to the measurement date	210,547	--
Total	**$ 424,953**	**$ --**

$210,547 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	
2026	$ 197,103
2027	255,064
2028	(170,328)
2029	(67,433)
Total	**$ 214,406**

Actuarial assumptions. The TPL in the December 31, 2023, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members other than Safety Officers	3.20%-11.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06[1]	Financed by the AIR

[1] Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

As of the December 31, 2024, measurement date, the FNP and related disclosure components for the Local Government Division reflect additional payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the Local Government Division Trust Fund was $0.486 million.

All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019.

Pre-Retirement	**Mortality Table**	**Adjustments, as Applicable**
Members other than Safety Officers	PubG-2010 Employee	N/A

Post-Retirement (Retiree), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
Members other than Safety Officers	PubG-2010 Healthy Retiree	**Males**: 94% of the rates prior to age 80/ 90% of the rates age 80 and older **Females**: 87% of the rates prior to age 80/ 107% of the rates age 80 and older

Post-Retirement (Beneficiary), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
All Beneficiaries	Pub-2010 Contingent Survivor	**Males**: 97% of the rates for all ages **Females**: 105% of the rates for all ages

Disabled	Mortality Table	Adjustments, as Applicable
Members other than Safety Officers	PubNS-2010 Disabled Retiree	99% of the rates for all ages

The actuarial assumptions used in the December 31, 2023, valuations were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total pension liability from December 31, 2023, to December 31, 2024.
The long-term expected return on plan assets is reviewed as part of regularly scheduled experience studies performed at least every five years and asset/liability studies performed every three to five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Salary increases, including wage inflation:	
Members other than Safety Officers	3.40%-13.00%

Salary scale assumptions were altered to better reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. All mortality assumptions are developed on a benefit-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 projection scale.

Pre-Retirement	Mortality Table	Adjustments, as Applicable
Members other than Safety Officers	PubG-2010 Employee	N/A

Post-Retirement (Retiree), Non-Disabled	Mortality Table	Adjustments, as Applicable
Members other than Safety Officers	PubG-2010 Healthy Retiree	**Males**: 90% of the rates for all ages **Females**: 85% of the rates prior to age 85/ 105% of the rates age 85 and older

Post-Retirement (Beneficiary), Non-Disabled	Mortality Table	Adjustments, as Applicable
All Beneficiaries	Pub-2010 Contingent Survivor	**Males**: 92% of the rates for all ages **Females**: 100% of the rates for all ages

Disabled	Mortality Table	Adjustments, as Applicable
Members other than Safety Officers	PubNS-2010 Disabled Retiree	95% of the rates for all ages

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	**100.00%**	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional disaffiliation payment allocations to the Local Government Division Trust Fund was $0.486 million.

Based on the above assumptions and methods, the LGDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension	$2,430,600	$1,069,353	$1,361

Pension plan fiduciary net position. Detailed information about the LGDTF's FNP is available in PER A's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

7. Defined Benefit Other Post Employment Benefit (OPEB) Plan

General Information about the OPEB Plan

Plan description. Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained www.copera.org/forms-resources/financial-reports-and-studies.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 *et seq*. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure. The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure. The maximum service-based premium subsidy is $230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum $230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were $12,809 for the year ended December 31, 2025.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2025, the District reported a liability of $60,002 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2024, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TOL to December 31, 2024. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2024 relative to the total contributions of participating employers to the HCTF.

At December 31, 2024, the District's proportion was 0.01255%, which was a decrease of 0.00019% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the District recognized OPEB benefit of $5,560. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ --	$ 13,234
Changes of assumptions or other inputs	688	19,180
Net difference between projected and actual earnings on OPEB plan investments	203	--
Changes in proportion and differences between contributions recognized and proportionate share of contributions	--	10,560
Contributions subsequent to the measurement date	12,809	-
Total	**$ 13,700**	**$ 42,974**

$12,809 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	
2026	$ (10,240)
2027	(10,225)
2028	(9,287)
2029	(6,254)
2030	(4,210)
Thereafter	(1,868)
Total	**$ (42,084)**

Actuarial assumptions. The TOL in the December 31, 2023, actuarial valuation used the following actuarial cost method and key actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	
Members other than Safety Officers – Local Government Division	3.20% - 11.30%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	16.00% in 2024, then 6.75% in 2025, gradually decreasing to 4.50% in 2034
Medicare Part A premiums	3.50% in 2024, gradually increasing to 4.50% in 2033

As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF was $0.020 million.

Each year the per capita health care costs are developed by plan option. As of the December 31, 2023, actuarial valuation, costs are based on 2024 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-68	2.2%	2.3%
69	2.8%	2.2%
70	2.7%	1.6%
71	3.1%	0.5%
72	2.3%	0.7%
73	1.2%	0.8%
74	0.9%	1.5%
75-85	0.9%	1.3%
86 and older	0.0%	0.0%

Sample Age	MAPD PPO #1 with Medicare Part A Retiree/Spouse		MAPD PPO #2 with Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) with Medicare Part A Retiree/Spouse	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
65	$1,710	$1,410	$585	$486	$1,897	$1,575
70	$1,921	$1,589	$657	$544	$2,130	$1,763
75	$2,122	$1,670	$726	$571	$2,353	$1,853

Sample Age	MAPD PPO #1 without Medicare Part A Retiree/Spouse		MAPD PPO #2 without Medicare Part A Retiree/Spouse		MAPD HMO (Kaiser) without Medicare Part A Retiree/Spouse	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
65	$6,536	$5,429	$4,241	$3,523	$7,063	$5,866
70	$7,341	$6,073	$4,764	$3,941	$7,933	$6,563
75	$8,110	$6,385	$5,262	$4,143	$8,763	$6,900

The 2024 Medicare Part A premium is $505 per month.

All costs are subject to the health care cost trend rates, discussed as follows.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. PERACare Medicare plan rates are applied where members have no premium-free Part A and where those premiums are already exceeding the maximum subsidy. MAPD PPO #2 has a separate trend because the first year rates are still below the maximum subsidy and to reflect the estimated impact of the Inflation Reduction Act for that plan option.

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the following table:

Year	PERACare Medicare Plans[1]	MAPD PPO #2[1]	Medicare Part A Premiums
2024	16.00%	105.00%	3.50%
2025	6.75%	8.55%	3.75%
2026	6.50%	8.10%	3.75%
2027	6.25%	7.65%	4.00%
2028	6.00%	7.20%	4.00%
2029	5.75%	6.75%	4.25%
2030	5.50%	6.30%	4.25%
2031	5.25%	5.85%	4.25%
2032	5.00%	5.40%	4.25%
2033	4.75%	4.95%	4.50%
2034+	4.50%	4.50%	4.50%

[1]Increase in 2024 trend rates due to the effect of the Inflation Reduction Act.

Mortality assumptions used in the December 31, 2023, valuation for the Division Trust Funds as shown in the following table, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Pre-Retirement	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A

Post-Retirement (Retiree), Non-Disabled	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Healthy Retiree	**Males:** 94% of the rates prior to age 80/ 90% of the rates age 80 and older **Females**: 87% of the rates prior to age 80/ 107% of the rates age 80 and older

Post-Retirement (Beneficiary), Non-Disabled	Mortality Table	Adjustments, as Applicable
All Beneficiaries	Pub-2010 Contingent Survivor	**Males**: 97% of the rates for all ages **Females**: 105% of the rates for all ages

Disabled	Mortality Table	Adjustments, as Applicable
Members other than Safety Officers	PubNS-2010 Disabled Retiree	99% of the rates for all ages

The following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

- Per capita health care costs in effect as of the December 31, 2023, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2024 plan year.

- The health care cost trend rates applicable to health care premiums were revised to reflect the current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option.

- The Medicare health care plan election rate assumptions were updated effective as of the December 31, 2023, valuation date based on an experience analysis of recent data.

The actuarial assumptions used in the December 31, 2023, valuations were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total OPEB liability from December 31, 2023, to December 31, 2024.

	Local Government Division
Salary increases, including wage inflation:	
Members other than Safety Officers	3.40%-13.00%

The following health care costs assumptions were used in the roll forward calculation for the HCTF:

- Salary scale assumptions were altered to better reflect actual experience.

- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

- Participation rates were reduced.

- MAPD premium costs are no longer age graded.

Plan	**With Medicare Part A**	**Without Medicare Part A**
MAPD PPO #1	$1,824	$6,972
MAPD PPO #2	624	4,524
MAPD HMO (Kaiser)	2,040	7,596

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. Note that in all categories, the mortality tables are generationally projected using the 2024 adjusted MP-2021 project scale. These assumptions updated for the Division Trust Funds, were also applied in the roll forward calculations for the HCTF using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Pre-Retirement	**Mortality Table**	**Adjustments, as Applicable**
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A

Post-Retirement (Retiree), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Healthy Retiree	**Males:** 90% of the rates for all ages **Females**: 85% of the rates prior to age 85/ 105% of the rates age 85 and older

Post-Retirement (Beneficiary), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
All Beneficiaries	Pub-2010 Contingent Survivor	**Males**: 92% of the rates for all ages **Females**: 100% of the rates for all ages

Disabled	**Mortality Table**	**Adjustments, as Applicable**
Members other than Safety Officers	PubNS-2010 Disabled Retiree	95% of the rates for all ages

The actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed annually and updated, as appropriate, by the PERA Board's actuary.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30-Year Expected Geometric Real Rate of Return
Global equity	51.00%	5.00%
Fixed income	23.00%	2.60%
Private equity	10.00%	7.60%
Real estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	**100.00%**	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

Sensitivity of the District proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate[1]	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial MAPD PPO#2 trend rate[1]	7.55%	8.55%	9.55%
Ultimate MAPD PPO#2 trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate[1]	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$ 58,385	$ 60,002	$ 61,831

[1]For the January 1, 2025, plan year.

Discount rate. The discount rate used to measure the TOL was 7.25%. The basis for the projection of liabilities and FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2023, and the financial status of the HCTF as of the current measurement date (December 31, 2024). In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2024, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.

- Benefit payments and contributions were assumed to be made at the middle of the year.

- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF was $0.020 million.

Based on the above assumptions and methods, the FNP for the HCTF was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Proportionate share of the net OPEB liability	$ 73,533	$ 60,002	$ 48,336

OPEB plan fiduciary net position. Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

8. Defined Contribution Pension Plans

Voluntary Investment Program (PERAPlus 401(k) Plan)

Plan Description – Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (PERAPlus 401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERAPlus 401(k) Plan. That report can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Funding Policy – The PERAPlus 401(k) Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2025, program members contributed $36,798 for the PERAPlus 401(k) Plan.

Defined Contribution Retirement Plan (PERA DC Plan)

Plan Description – Eligible employees of the LGDTF hired on or after January 1, 2019, have the option to participate in the LGDTF, a cost-sharing multiple-employer defined benefit pension plan, or the Defined Contribution Retirement Plan (PERA DC Plan).

The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERA DC Plan. That report can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Funding Policy – All participating employees in the PERA DC Plan and the District are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period 01/01/2024 through 12/31/2025 are summarized in the tables below:

	January 1, 2024 through December 31, 2024	**January 1, 2025 through December 31, 2025**
Employee Contribution Rates:		
All employees other than Safety Officers	9.00%	9.00%
Employer Contribution Rates:		
On behalf of all employees other than Safety Officers	10.00%	10.00%

*Contribution rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Additionally, the employers are required to contribute AED, SAED, and other statutory amounts for employees other than Safety Officers to the LGDTF, as follows:

	January 1, 2024 through December 31, 2024	**January 1, 2025 through December 31, 2025**
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%	1.50%
Automatic Adjustment Provision (AAP) as specified in C.R.S. § 24-51-413	1.00%	1.00%
Additional Contribution Supplement as specified in C.R.S. § 24-51-401 and § 24-51-415	0.08%	0.11%
Total employer contribution rate to the LGDTF	**4.78%**	**4.81%**

*Contribution rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $62,927 and the District recognized pension expense of $77,696 for the PERA DC Plan.

9. Deferred Compensation Plan (PERAPlus 457 Plan)

Plan Description – Employees of the District may voluntarily contribute to the Deferred Compensation Plan (PERAPlus 457 Plan), an Internal Revenue Code Section 457 deferred compensation plan administered by PERA. Title 24, Article 51, Part 16 of the C.R.S., as amended, assigns authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERAPlus 457 Plan. That report can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Funding Policy – The PERAPlus 457 Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1603 of the C.R.S., as amended. Members are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2025, program members contributed $12,560 for the PERAPlus 457 Plan.

10. Inter-Governmental Agreement

In 1989, the District, the Town of Castle Rock, Colorado, and Castle Pines North Metropolitan District agreed to establish the Plum Creek Water Reclamation Authority (PCWRA). The purpose of PCWRA is to provide wastewater treatment within the region to the members and other local governments. The District transferred title of the Castle Pines Wastewater plant to PCWRA in June 1990. During 2025, PCWRA charged the District $370,537 for the treatment of the District's wastewater, with $30,878 payable to PCWRA as of December 31, 2025.

11. Net Investment in Capital Assets

The net investment in capital assets amounts reported on the government-wide statement of net position as of December 31, 2025 are determined as follows:

	Governmental Activities	Business-Type Activities	Total
Cost of Capital Assets	$ 17,970,696	$ 78,020,708	$ 95,991,404
Less: Accumulated depreciation	(2,901,629)	(28,066,010)	(30,967,639)
Capital Assets, Net of Accumulated Depreciation	15,069,067	49,954,698	65,023,765
Add: Unexpended capital debt proceeds		16,156,582	16,156,582
Less:			
Capital-related borrowings		(26,363,904)	(26,363,904)
Other non-debt capital related liabilites		(6,139,178)	(6,139,178)
Net Investment in Capital Assets	$ 15,069,067	$ 33,608,198	$ 48,677,265

12. 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 and natural disasters, for which the District carries commercial insurance. Claims have not exceeded coverage in any of the three preceding years.

In October 2002, the District joined the Colorado Special Districts Property and Liability Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for member special districts in Colorado. The District pays annual premiums to the Pool for defined property and liability coverage.

The Pool agreement also gives the Board of Directors of the Pool the power to establish additional contributions, at such times and in such amounts as the Board of Directors determines are needed for the purposes of the Pool. The Board of Directors may decide to distribute surplus funds among members; however, the District did not receive any such distribution for the year ended December 31, 2025.

13. TABOR Amendment

Colorado voters passed an amendment to the State Constitution in 1992. Article X, Section 20, (the Taxpayer Bill of Rights, otherwise known as TABOR) which has several limitations, including revenue raising, spending abilities and other specific requirements for state and local governments. The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District is of the opinion that water and sewer operations of the District qualify for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior-year's spending, adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards and fund reserves.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax or implementing a tax policy change directly causing a· net tax revenue gain to any local government. Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal-year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments.

TABOR requires that emergency reserves be established. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service) in 1995 and thereafter. Emergency reserves as of December 31, 2025 totaling $230,000 have been presented as a restriction of fund balance in the General Fund.

The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary benefit increases.

Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue. On May 2, 2000, citizens voted to allow the District to collect, spend and retain all revenues and proceeds generated from any source since December 31, 1998 without regard to any limitation under TABOR. The citizens also authorized the permanent waiver of the 5.5% statutory limit.

14. Litigation

From time to time, the District is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the net position and change in net position of the District. Events could occur that would change this estimate materially in the near term.

15. Subsequent Events

Management evaluates subsequent events through the date the financial statements are available to be issued, which is the date of the Independent Auditors' Report. On November 25, 2025, the District, the Town of Castle Rock, the Castle Pines North Metropolitan District and PCWRA entered into an intergovernmental agreement regarding the financing by PCWRA for the rehabilitation of its reuse reservoir and related facilities. Reuse water is provided by PCWRA and used as irrigation for four local golf courses, two of which lie within the District's boundaries. Pursuant to the agreement, PCWRA will finance the project through direct contributions and a loan issued to PCWRA by the Colorado Water Resources and Power Development Authority (CWRPDA) in 2026 for a total amount not to exceed $8,500,000, and the costs will be invoiced by PCWRA to the other parties to the agreement with ½ of the total project responsibility falling equally to the two golf courses within the District.

The District will recognize expense for the portion of PCWRA's costs allocated to the District, and revenue of an equal amount rebilled to the golf courses sufficient to cover their proportionate share of the project expenses, including the loan.

Required Supplementary Information

CASTLE PINES METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2025

	Original/Final Budget	Actual	Variance
Revenues			
Property Taxes	$ 8,304,338	$ 8,388,118	$ 83,780
Specific Ownership Tax	550,000	638,133	88,133
Investment Income	650,000	916,977	266,977
Charges for Services	215,241	241,153	25,912
Other Revenue	5,000	30,680	25,680
Total Revenues	9,724,579	10,215,061	490,482
Expenditures			
Current			
General Government	2,790,421	1,885,363	905,058
Public Works	6,220,000	4,907,254	1,312,746
Capital Outlay	187,500	208,239	(20,739)
Total Expenditures	9,197,921	7,000,856	2,197,065
Excess of Expenditures Over Revenues	526,658	3,214,205	2,687,547
Other Financing Sources (Uses)			
Transfer Out	(735,000)	(735,000)	
Proceeds From the Disposal of Capital Assets	-	32,442	32,442
Total Other Financing Sources (Uses)	(735,000)	(702,558)	32,442
Net Changes in Fund Balance	(208,342)	2,511,647	2,719,989
Fund Balance, Beginning	16,262,713	17,755,997	1,493,284
Operating Reserves	(2,299,480)		2,299,480
Capital Reserves	(1,000,000)		1,000,000
Fund Balance, Ending	$ 12,754,891	$ 20,267,644	$ 7,512,753

Notes:
The basis of budgeting is the same as GAAP.
The schedule is presented on a modified-accrual basis.

Infrastructure Condition and Maintenance Data

December 31, 2025

Modified Approach for Castle Pines Metro Streets - Infrastructure Capital Assets

In accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), Castle Pines Metropolitan District (District) is required to account for and report infrastructure capital assets. The District has several major infrastructure systems including the street system. Each major infrastructure system can be divided into subsystems. For example, the streets can be divided into concrete and asphalt pavements, concrete curb and gutters, streetlights, traffic control devices (signs, signals, and pavement markings), and land. Subsystem detail is not presented in these basic financial statements; however, the District maintains detailed information on these subsystems.

The District has elected to use the modified approach as defined by GASB 34 for infrastructure reporting for its street pavement system. Under GASB 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The District manages the eligible infrastructure capital assets using PAVER Pavement Management System with characteristics of (1) maintaining an up-to-date inventory; (2) performing condition assessments and summarizing the results using a measurement scale; and (3) estimating the annual amount to maintain and preserve at the established condition assessment level.

- The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level. The District's Pavement Management System conducts condition assessment surveys annually based on priority of the District's road classification and input from the District's Board and residents. The District's streets are classified based on traffic utilization into the following classifications: Primary (Arterials), Secondary (Collectors), Tertiary (Locals). Each street was assigned a physical condition based on potential defects.

The District's goal is to maintain an excellent rating, or average PCI of 85 or higher, on all 89.67 lane miles of streets. This rating allows appropriate roadway budgets to be determined each year. Assessments of the road are normally conducted biannually.

The District's three most recent average pavement condition indexes are as follows:

	2025	2023	2021
Average PCI for District roadways	88.20	83.25	84.83

The most recent roadway assessment was completed in 2025.

Condition Distribution	2025	2023	2021
Excellent	64.7%	40.8%	44.0%
Good	28.8%	53.3%	52.6%
Fair	6.5%	5.9%	3.4%

The District's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) winter freeze thaw conditions and water damage from both natural and other urban run-off.

The District spent $4,345,094 and $4,021,355 in 2025 and 2024, respectively, on street maintenance and street rehabilitation. These expenditures improve the overall street system. A schedule of estimated and actual annual expenditures for street maintenance for the last five years is presented below:

Year	Maintenance Estimate	Actual
2021	$ 1,490,000	$ 1,918,952
2022	$ 2,740,628	$ 3,201,371
2023	$ 2,980,600	$ 3,638,717
2024	$ 5,092,500	$ 4,021,355
2025	$ 5,414,000	$ 4,345,094

CASTLE PINES METROPOLITAN DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended December 31, 2024 (Measurement Date)

	December 31									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
District's portion of the net pension liability (asset)	0.17427%	0.17366%	0.17285%	0.17474%	0.20362%	0.17724%	0.16159%	0.17058%	0.16787%	0.19044%
District's proportionate share of the net pension liability (asset)	$ 1,069,353	$ 1,274,753	$ 1,732,917	$ (149,815)	$ 1,061,122	$ 1,296,334	$ 2,031,536	$ 1,899,329	$ 2,266,790	$ 2,097,812
District's covered payroll	$ 1,514,484	$ 1,408,027	$ 1,517,134	$ 1,340,710	$ 1,488,744	$ 1,239,599	$ 1,115,237	$ 1,017,491	$ 1,076,115	$ 1,017,197
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	70.6%	90.5%	114.2%	-11.2%	71.3%	104.6%	182.2%	186.7%	210.6%	206.2%
Plan fiduciary net position as a percentage of the total pension liability	88.03%	88.03%	82.99%	101.49%	90.88%	86.26%	75.96%	79.37%	73.60%	76.90%

CASTLE PINES METROPOLITAN DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE PENSION PLAN

For the Year Ended December 31, 2025

	December 31									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 210,547	$ 208,393	$ 210,782	$ 206,064	$ 177,805	$ 192,575	$ 157,136	$ 133,865	$ 136,452	$ 129,022
Contributions in relation to the contractually required contribution	210,547	208,393	210,782	206,064	177,805	192,575	157,136	133,865	136,452	129,022
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,255,803	$ 1,514,484	$ 1,408,027	$ 1,517,134	$ 1,340,710	$ 1,488,744	$ 1,239,599	$ 1,115,237	$ 1,017,491	$ 1,076,115
Contributions as a percentage of covered payroll	16.77%	13.76%	14.97%	13.58%	13.26%	12.94%	12.68%	12.00%	13.41%	11.99%

CASTLE PINES METROPOLITAN DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

For the Year Ended December 31, 2024 (Measurement Date)

Employee Pension Plan Year Eight [1]

	December 31							
	2024	2023	2022	2021	2020	2019	2018	2017
District's portion of the net OPEB liability (asset)	0.0126%	0.0127%	0.0140%	0.0134%	0.0153%	0.0135%	0.0125%	0.0133%
District's proportionate share of the net OPEB liability (asset)	$ 60,002	$ 90,941	$ 112,022	$ 115,188	$ 145,296	$ 151,614	$ 170,494	$ 172,264
District's covered payroll	$ 1,514,484	$ 1,408,027	$ 1,517,134	$ 1,340,710	$ 1,488,744	$ 1,239,599	$ 1,115,237	$ 1,017,491
District's proportionate share of the net OPEB	4.0%	6.5%	7.4%	8.6%	9.8%	12.2%	15.3%	16.9%
Plan fiduciary net position as a percentage of the total OPEB liability	46.16%	46.16%	38.57%	39.40%	32.78%	24.49%	17.03%	17.53%

[1] This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

CASTLE PINES METROPOLITAN DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE OPEB PLAN

For the Year Ended December 31, 2025

Employee Pension Plan Year Eight [1]

	December 31							
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually required contribution	$ 12,809	$ 15,448	$ 14,362	$ 15,475	$ 13,675	$ 15,185	$ 12,644	$ 11,375
Contributions in relation to the contractually required contribution	12,809	15,448	14,362	15,475	13,675	15,185	12,644	11,375
Contribution Deficiency (Excess)	$	$	$	$	$	$	$	$
District's covered payroll	$ 1,255,803	$ 1,514,484	$ 1,408,027	$ 1,517,134	$ 1,340,710	$ 1,488,744	$ 1,239,599	$ 1,115,237
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

[1] This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

Notes to the Required Supplementary Information

1. Significant Changes in Plan Provisions Affecting Trends in Actuarial Information

2024 Changes in Plan Provisions Since 2023

As of the December 31, 2024, measurement date, the fiduciary net position (FNP) and related disclosure components for the Local Government Division and HCTF reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the Local Government Division Trust Fund and HCTF were $0.486 million and $0.020 million, respectively.

2. Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information

2024 Changes in Assumptions or Other Inputs Since 2023

<u>Pension Plan</u>

- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The Pub-2010 Public Retirement Plans Mortality base tables were retained for purposes of active, retired, disabled, and beneficiary lives, with revised adjustments for credibility and gender, where applicable. In addition, the applied generational projection scale was updated to the 2024 adjusted scale MP-2021.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

<u>Other Post Employment Benefit (OPEB) Plan</u>

- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on experience. In addition, the mortality projection scale was updated to the 2024 adjusted scale MP-2021 to reflect future improvements in mortality for all groups.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded.

Supplementary Information

CASTLE PINES METROPOLITAN DISTRICT

COMPARATIVE BALANCE SHEET - GENERAL FUND

December 31, 2025

(With Summarized Comparative Information for the Year Ended December 31, 2024)

	2025	2024
Assets		
Current Assets		
Cash and Cash Equivalents	$ 3,830,013	$ 3,365,976
Cash with Fiscal Agent	53,296	55,303
Investments	15,628,076	14,774,954
Receivables		
Accounts	58,023	74,162
Property Taxes	8,545,458	8,296,038
Prepaid Expenses	123,935	118,270
Inventory	3,033	4,163
Interfund Receivable	879,567	
Total Current Assets	29,121,401	26,688,866
Liabilities, Deferred Inflows of Resources and Fund Balances		
Current Liabilities		
Accounts Payble	308,299	526,961
Customer Deposits		5,000
Interfund Payable		104,870
Total Current Liabilities	308,299	636,831
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	8,545,458	8,296,038
Fund Balances		
Nonspendable		
Inventory	3,033	4,163
Prepaid Items	123,935	118,270
Restricted		
Emergency Reserve - TABOR	230,000	230,000
Unassigned	19,910,676	17,403,564
Total Fund Balances	20,267,644	17,755,997
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 29,121,401	$ 26,688,866

CASTLE PINES METROPOLITAN DISTRICT

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND

For the Year Ended December 31, 2025

(With Summarized Financial Information for the Year Ended December 31, 2024)

	2025	2024
Revenues		
Property Taxes	$ 8,388,118	$ 8,450,853
Specific Ownership Tax	638,133	616,977
Investment Income	916,977	851,007
Charges for Services	241,153	247,093
Other Revenue	30,680	
Total Revenues	10,215,061	10,165,930
Expenditures		
Current		
General Government	1,885,363	1,952,483
Public Works	4,907,254	5,069,680
Capital Outlay	208,239	514,070
Total Expenditures	7,000,856	7,536,233
Excess of Expenditures Over Revenues	3,214,205	2,629,697
Other Financing Sources (Uses)		
Transfers Out	(735,000)	(800,000)
Proceeds from Disposal of Assets	32,442	57,000
Total Other Financing Sources (Uses)	(702,558)	(743,000)
Net Change in Fund Balance	2,511,647	1,886,697
Fund Balance, Beginning of Year	17,755,997	15,869,300
Fund Balance, End of Year	$ 20,267,644	$ 17,755,997

CASTLE PINES METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS - WATER AND SEWER FUND
For the Year Ended December 31, 2025

	Original/Final Budget	Actual	Variance
Revenues			
Charges for Services	$ 6,606,706	$ 7,206,999	$ 600,293
Effluent Pumping	222,110	93,052	(129,058)
Investment Earnings	750,000	1,531,081	781,081
Other	52,077	79,002	26,925
Transfers In	735,000	735,000	
Total Revenues	8,365,893	9,645,134	1,279,241
Expenses			
Personnel Services	1,757,504	1,596,898	160,606
Professional Services	1,175,575	698,207	477,368
Utilities	711,000	598,576	112,424
Operations and Maintenance	2,812,647	1,941,269	871,378
General Overhead	455,846	294,211	161,635
Capital Outlay	19,600,000	14,128,012	5,471,988
Debt Principal	486,959	486,960	(1)
Debt Interest & Amortization	1,111,764	1,078,763	33,001
Total Expenses	28,111,295	20,822,896	7,288,399
Net Changes in Net Position (Non-GAAP)	(19,745,402)	(11,177,762)	$ 8,567,640
Fund Balance, Beginning	16,248,209		
Operating Reserves	(2,316,736)		
Capital Reserves	(1,000,000)		
Fund Balance, Ending	$ (6,813,929)		

Reconciliation of Revenues and Expenses - GAAP Basis to Budgetary Basis

Adjustments	
Benefits (expenses) which are not expenditures for budgetary purposes:	
Depreciation	(1,746,681)
Miscellaneous expense	(31,242)
Pension	(11,229)
OPEB	10,688
Expenditures for budgetary purposes:	
Capital outlay	14,128,012
Principal payments on revenue bonds and loans	486,960
Net Change in Net Position - GAAP Basis	$ 1,658,746