

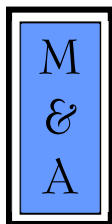
**Dillon Valley District
Dillon, Colorado**

**Financial Statements
December 31, 2025**

**Dillon Valley District
Financial Statements
December 31, 2025**

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1 – A3
Management's Discussion and Analysis	B1 – B4
Basic Financial Statements:	
Statement of Net Position	C1
Statement of Revenues, Expenses and Changes in Fund Net Position	C2
Statement of Cash Flows	C3
Notes to the Financial Statements	D1 – D15
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Net Position - Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis	E1 – E2
Schedules of Water and Sewer Functions:	
Estimated Allocation of Assets, Liabilities, and Net Position	E3
Estimated Allocation of Revenues, Expenses, and Net Position	E4
Other Information:	
Historical Schedule of Capacity in the Joint Sewer Authority	F1



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

WEB SITE: WWW.McMAHANCPA.COM

MAIN OFFICE: (970) 845-8800

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Dillon Valley District
Dillon, Colorado**

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Dillon Valley District

Dillon, Colorado

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

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

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

Required Supplementary Information

U.S. GAAP require the Management's Discussion and Analysis in section B 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 U.S. GAAS, 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.

INDEPENDENT AUDITOR'S REPORT**To the Board of Directors****Dillon Valley District****Dillon, Colorado*****Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The fund budgetary comparison in Section E and the Schedules of Water and Sewer Functions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information in section E and the Schedules of Water and Sewer Functions are not a required part of the basic financial statements but are supplementary information required by U.S. GAAP. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the historical schedule of capacity in the Joint Sewer Authority in section F but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in blue ink that reads "McMahan and Associates, L.L.C.".**McMahan and Associates, L.L.C.****Avon, Colorado****June 26, 2026**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dillon Valley District

Management's Discussion and Analysis December 31, 2025

We, the financial managers of the Dillon Valley District (the "District"), offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2025.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial Statements: The financial statements are designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Statement of Net Position presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position shows how the government's net position changed during the most recent fiscal year by listing the revenues earned and expenses incurred. Revenues and expenses are recorded on the accrual basis. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., incurred but unpaid interest expense).

The Statement of Cash Flows shows the District's sources of cash inflows and outflows during the most recent fiscal year. Cash flows are categorized among operating, non-capital financing, capital and related financing and investing activities and unlike items reported in the Statement of Revenues, Expenses and Changes in Fund Net Position, these amounts are reported on the cash basis of accounting.

The business-type activity of the District relates to water and sewer services. There are currently no governmental-type activities occurring at the District.

The District's basic financial statements can be found in Section C of this report.

Proprietary Fund: The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report business-type activities. The District uses an enterprise fund to account for its water and sewer services.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report includes supplementary information. The Schedule of Revenues, Expenditures and Changes in Fund Net Position – Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis provides a detailed comparison of the District's actual revenues and expenditures to budgeted amounts. As the District's budget was adopted in a manner that is not consistent with Generally Accepted Accounting Principles ("GAAP"), this schedule is presented on a non-GAAP basis and is reconciled to GAAP basis. Supplementary information can be found in Section E of this report.

Financial Analysis of the District

The following table shows the District's assets, liabilities, and net position at the end of 2025 and 2024:

Dillon Valley District's Net Position

	<u>2025</u>	<u>2024</u>
Assets:		
Current and other assets	2,082,921	2,127,633
Capital assets	<u>5,627,251</u>	<u>4,604,360</u>
Total Assets	<u>7,710,172</u>	<u>6,731,993</u>
Liabilities:		
Current liabilities	385,538	416,980
Non-current liabilities	<u>1,955,000</u>	<u>1,310,000</u>
Total Liabilities	<u>2,340,538</u>	<u>1,726,980</u>
Deferred Inflow of Resources:		
Lease revenue	<u>73,107</u>	<u>-</u>
Total Deferred Inflow of Resources	<u>73,107</u>	<u>-</u>
Net Position:		
Net investment in capital assets	3,342,251	3,044,360
Unrestricted	<u>1,954,276</u>	<u>1,960,653</u>
Total Net Position	<u>5,296,527</u>	<u>5,005,013</u>

In 2025, the District's net position increased by \$291,514. This increase was primarily the result of increased sewer fees and the completion of a large capital project related to sewer improvements.

Traditionally, the largest portion of the District's net position is its investment in capital assets used to deliver or provide services to its residents and visitors, less any related debt. The District's capital assets include land, raw water diversion facilities, drinking water treatment facilities, drinking water distribution systems, sewer collection systems, equipment, and part ownership of a sewage treatment plant. The District is involved in a joint venture with other districts and municipalities for a sewer treatment facility. This joint venture is described on pages D11 and D12 in the Notes to the Financial Statements. The District's net investment in capital assets accounted for approximately 63% of its total net position at the end of 2025. This category of net position is not available for future spending. This results in an unrestricted net position balance of \$1,954,276.

(Remainder of page intentionally left blank)

Financial Analysis of the District (continued):

The following table summarizes information relating to the District's Statement of Revenues, Expenses and Changes in Fund Net Position:

Dillon Valley District's Change in Net Position

	<u>2025</u>	<u>2024</u>
Revenues:		
Sewer fees	691,828	658,226
Water fees	996,542	1,039,051
Other operating	15,721	21,436
Interest revenue	54,881	29,126
Lease revenue	20,000	-
Legal settlement proceeds	49,375	-
Capital asset contributions	-	12,117
Gain (loss) on investment in JSA	38,094	28,197
Tap fees	5,735	25,240
Total Revenues	<u>1,872,176</u>	<u>1,813,393</u>
Expenses:		
Administration	154,449	177,670
Wastewater	645,860	514,597
Water treatment	705,361	636,257
Interest expense	50,612	29,996
Debt issuance cost	24,380	-
Total Expenses	<u>1,580,662</u>	<u>1,358,520</u>
 Change in Net Position	 291,514	 454,873
 Net Position - Beginning of Year	 <u>5,005,013</u>	 <u>4,550,140</u>
 Net Position - End of Year	 <u>5,296,527</u>	 <u>5,005,013</u>

Revenues increased \$58,783 during the past fiscal year. Most of the increase was due to an increase in sewer fees and legal settlement proceeds received during 2025.

Sewer and water fees were the most significant sources of revenue in 2025, accounting for 37% and 53% of operating revenues, respectively. In 2024, sewer fees accounted for 36% of operating revenues and water fees represented 57% of operating revenues.

When compared to 2024, District expenses increased by \$222,142 in fiscal year 2025. This is primarily due to increased expenses related to unanticipated significant repair and maintenance costs.

Water treatment expenses comprised the highest percentage of the District's costs at 45% (47% in 2024). Administration costs, which include insurance, legal and accounting fees, contract administrative and water plant costs, and miscellaneous expense, represented 10% of total District expenses (13% in 2024). Wastewater expenses accounted for 41% of 2025 expenses (38% in 2024).

Capital Asset and Debt Administration

Capital Assets: The District's capital assets increased by \$1,022,891 during 2025, as capital asset additions were \$1,443,891 and depreciation expense was \$421,000.

Additional information, as well as a detailed classification of the District's capital assets, can be found in the Notes to the Financial Statements on page D9.

Long Term Debt: The District took out a new Enterprise Revenue Loan Series 2025 for \$1,040,000. The District paid \$315,000 in principal on its two Enterprise Revenue Loans, Series 2021 and 2025, reducing the total balance due from \$3,640,000 to \$2,285,000.

Additional information on long term debt can be found on pages D10 and D11.

Next Year's Budget and Rates

The 2026 budget anticipates revenues of \$1,825,468 and expenditures of \$1,812,428.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Angelique Justich, District Administrator, Dillon Valley District, P.O. Box 3428, Dillon, CO 80435.

BASIC FINANCIAL STATEMENTS

Dillon Valley District
Statement of Net Position
December 31, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
Assets:		
Current Assets:		
Cash and cash equivalents	944,614	1,104,198
Accounts receivable, net	497,454	496,514
Lease receivable	73,107	-
Prepaid expenses	35,249	32,518
Total Current Assets	<u>1,550,424</u>	<u>1,633,230</u>
Non-current Assets:		
Investment in Joint Sewer Authority	532,497	494,403
Capital assets:		
Non-depreciable	333,978	627,719
Depreciable, net	5,293,273	3,976,641
Total Non-current Assets	<u>6,159,748</u>	<u>5,098,763</u>
Total Assets	<u>7,710,172</u>	<u>6,731,993</u>
Liabilities:		
Current Liabilities:		
Accounts payable	52,593	149,048
Retainage payable	-	14,987
Unearned revenue	2,945	2,945
Current portion long-term debt	330,000	250,000
Total Current Liabilities	<u>385,538</u>	<u>416,980</u>
Non-current Liabilities:		
Debt payable - net of current portion	1,955,000	1,310,000
Total Non-current Liabilities	<u>1,955,000</u>	<u>1,310,000</u>
Total Liabilities	<u>2,340,538</u>	<u>1,726,980</u>
Deferred Inflow of Resources:		
Lease revenue	73,107	-
Total Deferred Inflow of Resources	<u>73,107</u>	<u>-</u>
Net Position:		
Net investment in capital assets	3,342,251	3,044,360
Unrestricted	1,954,276	1,960,653
Total Net Position	<u>5,296,527</u>	<u>5,005,013</u>

The accompanying notes are an integral part of these financial statements.

Dillon Valley District
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Sewer fees	691,828	658,226
Water fees	996,542	1,039,051
Penalties	14,721	10,686
Rent income	-	9,600
Other income	1,000	1,150
Total Operating Revenues	<u>1,704,091</u>	<u>1,718,713</u>
Operating Expenses:		
Administration	154,449	177,670
Wastewater	645,860	514,597
Water treatment	705,361	636,257
Total Operating Expenses	<u>1,505,670</u>	<u>1,328,524</u>
Operating Income (Loss)	<u>198,421</u>	<u>390,189</u>
Non-operating Revenues (Expenses):		
Interest income	54,881	29,126
Interest expense	(50,612)	(29,996)
Lease revenue	20,000	-
Debt issuance cost	(24,380)	-
Other income	49,375	-
Gain (loss) on investment in Joint Sewer Authority	38,094	28,197
Total Non-operating Revenues (Expenses)	<u>87,358</u>	<u>27,327</u>
Income Before Capital Contributions	285,779	417,516
Capital Contributions		
Tap fees	5,735	25,240
Capital asset contribution	-	12,117
Total Capital Contributions	<u>5,735</u>	<u>37,357</u>
Change in Net Position	291,514	454,873
Total Net Position - Beginning	<u>5,005,013</u>	<u>4,550,140</u>
Total Net Position - Ending	<u><u>5,296,527</u></u>	<u><u>5,005,013</u></u>

The accompanying notes are an integral part of these financial statements.

Dillon Valley District
Statement of Cash Flows
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

	2025	2024
Cash Flows from Operating Activities:		
Cash received from customers	1,752,526	1,672,903
Other cash receipts	20,000	9,600
Cash paid for goods and services	(1,198,843)	(946,667)
Net Cash Provided by Operating Activities	573,683	735,836
Cash Flows from Capital and Related Financing Activities:		
Tap fees received	5,735	25,241
Cash received from debt issuance	1,040,000	-
Cash paid for debt issuance cost	(24,380)	-
Cash paid for interest on debt	(50,612)	(29,996)
Cash paid for principal on debt	(315,000)	(245,000)
Cash paid for construction and acquisition of capital assets	(1,443,891)	(391,855)
Net Cash (Used) by Capital and Related Financing Activities	(788,148)	(641,610)
Cash Flows from Investing Activities:		
Interest received	54,881	29,126
Net Cash Provided by Investing Activities	54,881	29,126
Net Change in Cash	(159,584)	123,352
Cash and Cash Equivalents - Beginning	1,104,198	980,846
Cash and Cash Equivalents - Ending	944,614	1,104,198
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:		
Operating (loss)	198,421	390,189
Adjustments:		
Depreciation	421,000	305,592
Legal settlement proceeds	49,375	-
(Increase) decrease in accounts receivable	(940)	(36,210)
(Increase) decrease in lease receivable	20,000	-
(Increase) decrease in prepaid expenses	(2,731)	(32,518)
Increase (decrease) in accounts payable	(96,455)	93,796
Increase (decrease) in retainage payable	(14,987)	14,987
Total Adjustments	375,262	345,647
Net Cash Provided by Operating Activities	573,683	735,836
Non-cash Non-capital and Financing Activities:		
Gain (loss) on investment in Joint Sewer Authority	38,094	28,197
Non-cash Capital and Financing Activities:		
Capital contributions	-	12,117

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**Dillon Valley District
Notes to the Financial Statements
December 31, 2025**

I. Summary of Significant Accounting Policies

Dillon Valley District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District, comprising a section of Summit County, Colorado, was established to provide water and sewer services within its boundaries.

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

A. Reporting Entity

The District is governed by an elected Board, which is responsible for setting policy, engaging administrative contractors and adopting an annual budget in accordance with the provisions of the Colorado Special District Act. The reporting entity consists of (a) the primary government (i.e., the District), and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The District is not financially accountable for any other entity based on the above criteria nor is the District a component unit of any other entity.

B. Fund Accounting

The District uses an enterprise fund to report on its financial position, the results of its operations and its cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District uses a proprietary fund-type, an enterprise fund, to account for its activities, providing wastewater treatment and water services to taxpayers within the District's boundaries. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Financial Statement Presentation

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

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District.

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligation and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

**Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established, as the District considers all accounts to be collectible.

3. Capital Assets

Capital assets, which include land, water rights, a water plant and distribution systems and related improvements and equipment, and sewer collection systems and related improvements and equipment, are reported in the financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is expensed as incurred..

Capital assets, except land and water rights, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water plant and distribution systems	10-35
Collection and distribution systems	15-35

4. Leases

District as Lessor

The District is a lessor in a lease of a building, as further described in Note III.B. In such arrangement, the District recognizes a lease receivable and a deferred inflow of resources on the Statement of Net Position.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received.

The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term.

Key estimates and judgments include how the District determines the following:

Discount Rate: The District utilizes the daily United States Treasury Yield Rate as the discount rate to discount the expected lease receipts to present value.

Lease Term: The lease term includes the non-cancellable period of the lease and extended term(s) that the District is reasonably certain the lessee will exercise.

**Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Leases (continued)

District as Lessor (continued)

Lease Receipts: Lease receipts included in the measurement of the lease receivable are composed of fixed payments and minimum guaranteed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases, and will re-measure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

5. Use of Estimates

The preparation of financial statements to conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has no items that qualify for reporting under this category.

Deferred inflows of resources represent an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: lease revenue. This amount is deferred and recognized as an inflow from resources in the period that the amounts become available.

7. Restricted Assets

When both restricted and unrestricted assets are available for expenditure, it is the District's policy to first use restricted assets and then use unrestricted assets as necessary.

**Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)**

II. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law.

The budget for the proprietary fund is adopted on a non-GAAP basis and is reconciled to GAAP as follows:

Change in Net Position - Non-GAAP Basis	(44,471)
Adjustments to GAAP Basis:	
Gain (loss) on investment in Joint Sewer Authority	38,094
Depreciation	(421,000)
Capitalized assets	1,443,891
Debt proceeds	(1,040,000)
Debt principal payments	315,000
Total Adjustments	<u>335,985</u>
Change in Net Position - GAAP Basis	<u>291,514</u>

Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2025:

- (1) For the 2025 budget year, prior to August 25, 2024, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. Prior to December 10, 2024, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2024, the District's management submitted to the District's Board of Directors a recommended budget, which detailed the property taxes needed, along with other available revenues to meet the District's operating requirements.
- (3) For the 2025 budget, prior to December 15, 2024, a public hearing was held for the budget, the District computed and certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) transfer appropriated monies between funds; (b) approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (c) approve emergency appropriations; and (d) reduce appropriations for which originally estimated revenues are insufficient.

**Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)**

II. Stewardship, Compliance, and Accountability (continued)

B. Excess of Expenditures Over Appropriations

For the fiscal year ended December 31, 2025, the District's actual expenditures exceeded legally adopted appropriations in the General Fund, which may constitute a violation of the Colorado Local Government Budget Law (C.R.S. § 29-1-110). The legal level of budgetary control is established at the total fund level. The excess expenditure is detailed as follows:

<u>Fund</u>	<u>Final Approved Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance (Overage)</u>
General Fund	\$ 2,349,566	\$ 2,918,553	\$ (568,987)

Explanation of the Variance

- **Unanticipated Costs and New Debt Financing:** The excess expenditures were primarily driven by unexpected emergency infrastructure repairs, costs of new debt, and capital projects funded by new debt.
- **Procedural timing:** The District possessed sufficient cash reserves and fund balance to cover these expenditures. The District approved a formal resolution authorizing a budget amendment to account for issuance costs related to the new debt, but did not include all relevant items for the new debt or for additional projects completed later in the fiscal year.

Corrective Action Plan

The District performs monthly budget-to-actual reviews at the Board of Directors level to monitor spending trajectories. When developing formal supplemental budget amendments, the District will perform a comprehensive review of all changes including those made near the end of the fiscal year, to ensure strict ongoing compliance with Colorado statutory requirements.

C. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increases, a mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR exempts an entity from its requirements if the entity qualifies as a TABOR defined enterprise. Based on TABOR's definition, the District believes it qualifies as an enterprise and is therefore exempt from TABOR.

Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on the Fund

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. There were no investment requiring disclosure of the fair value hierarchy.

The carrying amounts of the District's demand deposits were \$944,614 at December 31, 2025, and are summarized below:

	Standard & Poor's Rating	Carrying Amounts	Maturities	
			Less than one year	Less than five years
<i>Deposits:</i>				
Checking	Not rated	\$ 63,837	\$ 63,837	\$ -
Savings	Not rated	880,777	880,777	-
Total		<u>\$ 944,614</u>	<u>\$ 944,614</u>	<u>\$ -</u>

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities, the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on the Fund (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, congressionally authorized mortgage lenders and investments that are federally guaranteed.

Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado's PDPA requirement noted above mitigates concentration of credit risk.

B. Lease Receivable

The Town leases a building to Water Solutions, Inc. (the "lessee"), pursuant to a lease agreement effective January 16, 2025. The non-cancelable term of the lease agreement is five years. The lease agreement has fixed quarterly base rental payments of \$5,000. The parties also entered into a Utility Operations Agreement with the same effective date. In the event of termination of the Utility Operations Agreement, the building lease will automatically terminate.

The discount rate of the lease is 4.38%.

During 2025, the District recognized \$17,391 in lease revenue and \$2,609 in interest revenue related to the lease.

At December 31, 2025, the District's receivable for lease payments was \$73,107, and the deferred inflow of resources associated with this lease, which will be recognized as revenue over the lease term, was \$73,107.

The following is a schedule of future principal and interest lease payments due under the terms of the lease at December 31, 2025:

<u>Year</u>	<u>Lease Receivable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 17,139	\$ 2,861	\$ 20,000
2027	17,886	2,114	20,000
2028	18,661	1,339	20,000
2029	19,421	579	20,000
	<u>\$ 73,107</u>	<u>\$ 6,893</u>	<u>\$ 80,000</u>

Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on the Fund (continued)

C. Capital Assets

Capital asset activity for 2025 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 91,350	\$ -	\$ -	\$ 91,350
Construction in progress	299,741	6,000	(299,741)	6,000
Water rights	236,628	-	-	236,628
Total capital assets, not being depreciated	<u>627,719</u>	<u>6,000</u>	<u>(299,741)</u>	<u>333,978</u>
Capital assets, being depreciated:				
Water plant and distribution system	8,092,683	332,261	-	8,424,944
Sewer collection system	2,285,344	1,405,371	-	3,690,715
Total capital assets, being depreciated	<u>10,378,027</u>	<u>1,737,632</u>	<u>-</u>	<u>12,115,659</u>
Less accumulated depreciation for:				
Water plant and distribution system	(4,673,508)	(248,582)	-	(4,922,090)
Sewer collection system	(1,727,878)	(172,418)	-	(1,900,296)
Total accumulated depreciation	<u>(6,401,386)</u>	<u>(421,000)</u>	<u>-</u>	<u>(6,822,386)</u>
Total capital assets, being depreciated, net	<u>3,976,641</u>	<u>1,316,632</u>	<u>-</u>	<u>5,293,273</u>
Total Capital Assets, Net	<u><u>\$ 4,604,360</u></u>	<u><u>\$ 1,322,632</u></u>	<u><u>\$ (299,741)</u></u>	<u><u>\$ 5,627,251</u></u>

Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on the Fund (continued)

D. Long Term Debt

1. 2021 Enterprise Refunding Revenue Loan

On March 15, 2021, The District entered into a loan agreement with JP Morgan Chase Bank, N.A. in the amount of \$2,480,000 to refund the District's 2012 Enterprise Revenue Bonds (Series 2012 above). The Series 2021 loan bears interest at a rate of 1.68% per annum. Principal is due December 1 each year and interest is due June 1 and December 1 each year, commencing on June 1, 2021 with a maturity date of December 1, 2030. The loan may be prepaid on or after December 1, 2026 in whole, but not in part. The total cash flows under the Series 2012 Bonds exceeded the total cash flows under the Series 2021 Loan; however, the District was unable to obtain or calculate the amount of net present value savings on the refunding.

As of December 31, 2025, the District had drawn \$2,480,000 of bond proceeds and paid \$1,170,000 of principal since the inception of the loan.

2. 2025 Enterprise Revenue Loan

On May 15, 2025, the District entered into a loan agreement with BOK Financial in the amount of \$1,040,000 to fund capital projects. The Series 2025 loan bears interest at a rate of 4.31% per annum. Principal is due December 1 each year and interest is due June 1 and December 1 each year, commencing on June 1, 2025 with a maturity date of December 1, 2035. The loan may be prepaid on or after December 1, 2030 in whole, but not in part.

As of December 31, 2025, the District had drawn \$1,040,000 of bond proceeds and paid \$65,000 of principal since the inception of the loan.

3. Annual Debt Service Requirements

An estimated schedule of debt service to maturity is as follows:

<u>Year</u>	<u>2021 Refunding Revenue Loan</u>		<u>2025 Revenue Loan</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 255,000	\$ 22,008	\$ 75,000	\$ 41,753	\$ 330,000	\$ 63,761
2027	260,000	17,724	80,000	38,503	340,000	56,227
2028	260,000	13,356	85,000	35,037	345,000	48,393
2029	265,000	8,988	90,000	31,355	355,000	40,343
2030	270,000	4,536	95,000	27,458	365,000	31,994
2031-2035	-	-	550,000	71,295	550,000	71,295
	<u>\$ 1,310,000</u>	<u>\$ 66,612</u>	<u>\$ 975,000</u>	<u>\$ 245,401</u>	<u>\$ 2,285,000</u>	<u>\$ 312,013</u>

Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on the Fund (continued)

D. Long Term Debt (continued)

3. Annual Debt Service Requirements (continued)

A schedule of changes in long term debt is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2021 Enterprise Revenue Refunding Loan	\$ 1,560,000	\$ -	\$ (250,000)	\$ 1,310,000	\$ 255,000
2025 Enterprise Revenue Loan	-	1,040,000	(65,000)	975,000	75,000
	<u>\$ 1,560,000</u>	<u>\$ 1,040,000</u>	<u>\$ (315,000)</u>	<u>\$ 2,285,000</u>	<u>\$ 330,000</u>

IV. Other Information

A. Silverthorne Dillon Joint Sewer Authority ("JSA")

The JSA was formed in 1970 to provide sewage collection and treatment facilities for the central basin of Summit County, Colorado. JSA has participation contracts with the District, the Buffalo Mountain Metropolitan District, and the Mesa Cortina Water and Sanitation District. The JSA is governed by a board comprised of two members from each of the towns of Silverthorne and Dillon and one member from each of the contracting parties.

**Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)**

IV. Other Information (continued)

A. Silverthorne Dillon Joint Sewer Authority ("JSA") (continued)

The following is a summary of the District's investment in the JSA as of year-end:

Fund equity at December 31, 2025	\$ 19,649,336
Dillon Valley District ownership percentage	<u>2.71%</u>
Net investment at December 31, 2025	<u>\$ 532,497</u>

The investment in the JSA is evidenced by the capacity that the District owns in the treatment facility. There are two types of capacity: 1) reserved capacity is the right to own a certain number of single family equivalents (SFEs) when the plant is built out to the planned maximum and, 2) constructed capacity, which is that portion of the reserved capacity that is available for use.

A historical summary of the District's ownership capacity in the Treatment Plant, Joint Interceptor, and East Bank Interceptor through December 31, 2025 is presented on page F1.

Operating costs are determined quarterly based on the District's capacity in use at the end of the previous quarter times a rate determined annually when the JSA prepares its budget. The District's share of 2025 JSA costs totaled \$394,597.

On July 1, 2012, the District entered into the First Amendment to the Revised Intergovernmental Agreement for the Joint Sewer Authority (the "Amendment"). Under the Amendment, the JSA participants have reallocated the capacity rights to amend imbalances between such rights and the needs of the participants.

The Amendment also allows the participants to waive some of the Excess Capital I&I compensation payments required by the Revised Intergovernmental Agreement upon receipt by the JSA of reasonable evidence that participants have spent at least the amount of such Excess Capital I&I compensation payments toward eliminating the Excess Capital I&I and Excess Operating I&I by a certain date, as set forth in more detail in the Amendment.

The Amendment sets forth the correction of system imbalances and waivers of I&I compensation payments in the context of the Paper Expansion expected January 1, 2012, under which participants may receive a capital payment calculated by the application of a formula in Exhibit B of the Revised Intergovernmental Agreement.

There are separately issued financial statements for the JSA as of and for the year ended December 31, 2025.

Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)

IV. Other Information (continued)

B. Inter-Governmental Agreements

1. Town of Silverthorne

The District entered into an Inter-Governmental Agreement with the Town of Silverthorne ("Silverthorne") on June 27, 2018 to allow for receipts of potable water from Town of Silverthorne on a limited, temporary basis, in the event of an emergency. The term of this agreement shall be for five years from the effective date and shall automatically renew for successive 5-year terms unless either party provides written notice of termination to the other party at least 24 months prior to a renewal. For water delivered pursuant to this Agreement, Silverthorne will bill the District based on the volume of water delivered to the District at a rate of one and a half (1½) times Silverthorne's second most expensive domestic pricing tier in effect at the time of the emergency delivery.

2. Town of Dillon

The District entered into an Inter-Governmental Agreement with the Town of Dillon ("Dillon") on May 1, 2002 to deliver treated water to the District (or for the District to deliver treated water to Dillon) promptly after the affected local government certifies that it is unable to produce from its own facilities and rights sufficient water supplies, that such delivery is necessary for the public health and benefit of its residents and visitors, and is required for emergency conditions. Dillon and the District shall share equally the responsibility and cost for maintaining the permanent interconnection facilities necessary to convey the water to the delivered to each of them.

The rates charged for water produced and delivered under this agreement shall be one and one half (1½) times the rate for domestic water charged by producing government for customers within its boundaries. This agreement is perpetual, and shall continue in effect until modified by mutual written agreement of Dillon and the District (the "Parties").

The District entered into an Amended and Restated Inter-Governmental Agreement with the Town of Dillon on June 4, 2019 to design, purchase and complete installation of a pump on or before three years from the date of this Agreement. Dillon will act as the lead agency for the Parties, including project management, during the pump installation. The Parties agree to limit the engineering design costs to no more than \$25,000 and to share those engineering costs equally (50/50) up to that limit, unless it is mutually agreed to increase the design cost. After both Parties have agreed to the improvements proposed in the engineering design, the Parties agree to move forward with the improvements and will equally share (50/50) all project design costs and expenses for design, purchase, and installation of the pump, including project management.

**Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)**

IV. Other Information (continued)

B. Inter-Governmental Agreements (continued)

2. Town of Dillon (continued)

For water produced and delivered under this Amended Agreement, the Producing Party will bill the Receiving Party based on volume of water delivered at a rate equal to Dillon's third-tier rate in effect at the time of delivery, currently \$9.21 per 1,000 gallons (with a maximum rate increase of 2% per year after the date of the Agreement). In the event that the Producing Party incurs additional unanticipated expenses due to the delivery of water to the Receiving Party in excess of the rate set forth above, the Producing Party may bill for additional costs. In lieu of billing for the delivery of water, the Producing Party may request that the other Party deliver an equal amount of water to the Producing Party at an agreed upon future time.

Per the Amended Agreement, the Parties have jointly funded and constructed the Silverthorne/Dillon Interconnect and will equally share the cost to maintain the Silverthorne/Dillon Interconnect. Silverthorne, Dillon or the District can be the Receiving Party or the Producing Party at any time under this Agreement. Section 2 of the Agreement defines the respective rights and obligations of the Parties to each other when they are taking delivery of water from Silverthorne through the Silverthorne/Dillon Interconnect

Dillon will send quarterly bills to the District for the District's portion of the costs of maintaining and operating the Dillon/DVD Interconnect and the Silverthorne/Dillon Interconnect. In the event that either Party delivers water to the other Party at the Dillon/DVD Interconnect, the Producing Party will send invoices to the Receiving Party on a monthly basis or following the conclusion of the temporary delivery of water.

C. Management Agreements

1. Water Solutions

The District has an agreement with Water Solutions, Inc. to provide general operation and maintenance of the water plant for the District. The District incurred expenses totaling \$221,741 for these services during 2025.

2. Swan Mountain Bookkeeping, LLC

Effective March 1, 2024, the District entered into an agreement with Swan Mountain Bookkeeping, LLC, to assume administrative, budgeting, financial management and billing services for the District. The term of the agreement was from March 1, 2024 to February 28, 2025 and automatically renewed for successive one year periods. The District incurred expenses totaling \$83,333 to Swan Mountain Bookkeeping, LLC for these services during 2025.

Dillon Valley District
Notes to the Financial Statements
December 31, 2025
(continued)

IV. Other Information (continued)

D. Risk Management

Except as provided within the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or injuries to employees. The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool (the "Pool"). The Pool is an organization created by an intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public official's coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

A summary of audited statutory financial information for the Pool as of for the year ended December 31, 2024 (the latest audited information available) is as follows:

Assets	<u><u>\$ 86,648,039</u></u>
Liabilities	57,746,885
Capital and surplus	<u>28,901,154</u>
Total	<u><u>86,648,039</u></u>
Revenue	34,779,245
Expenses	<u>(30,236,676)</u>
Net Income (Loss)	<u><u>\$ 4,542,569</u></u>

E. Related Party Transactions

During 2025, the District contracted civil engineering services from Tetra Tech Engineering for various water and sewer projects. A board member is also employed by this company. During 2025, the District incurred expenses totaling \$38,746 related to services provided by the company.

F. Legal Settlement

During 2025, the District was party to a class action settlement related to PFAS ("forever chemicals"). The District anticipates that it will receive an estimated \$70,445. The funds are intended to be used to manage PFAS remediation and system improvements. During the year ended December 31, 2025, the District received \$49,375 in settlement funds.

SUPPLEMENTARY INFORMATION

Dillon Valley District
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for 2024)

	2025				2024
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:					
Sewer fees	679,575	679,575	691,828	12,253	658,226
Water fees	1,014,300	1,014,300	996,542	(17,758)	1,039,051
Penalties	-	-	14,721	14,721	10,686
Tap fees	-	-	5,735	5,735	25,240
Interest	15,000	15,000	54,881	39,881	29,126
Rent income	20,000	20,000	20,000	-	9,600
Debt proceeds	-	1,040,000	1,040,000	-	-
Capital contributions	-	-	-	-	12,117
Other income	-	-	50,375	50,375	1,150
Total Revenues	1,728,875	2,768,875	2,874,082	105,207	1,785,196
Expenditures:					
Administration:					
Directors' expenses	6,000	6,000	5,400	600	4,900
Insurance	34,500	34,500	32,963	1,537	28,788
Telephone	1,600	1,600	1,711	(111)	4,606
Legal service	20,000	20,000	12,521	7,479	34,846
Audit	8,500	8,500	8,900	(400)	8,500
Dues and subscriptions	1,620	1,620	1,521	99	1,463
Office supplies	5,000	5,000	6,410	(1,410)	7,477
Miscellaneous	4,000	4,000	5,995	(1,995)	9,033
Contract services	77,700	77,700	78,775	(1,075)	76,291
Banking fees	100	100	-	100	604
Other expense	450	450	253	197	1,162
Total Administration	159,470	159,470	154,449	5,021	177,670
Wastewater:					
Sewage treatment fees	400,173	400,173	416,770	(16,597)	414,920
Sewer lines - Repair and maintenance	80,000	80,000	56,672	23,328	20,948
Total Wastewater	480,173	480,173	473,442	6,731	435,868
Water Treatment:					
Utilities	47,700	47,700	43,498	4,202	41,991
Operating expenses	200,818	200,818	200,277	541	193,935
Chemicals	60,197	60,197	59,268	929	71,310
Water plant - Repairs and maintenance	95,000	95,000	97,140	(2,140)	46,441
Water purchases	20,000	20,000	420	19,580	420
Water line breaks - repairs	150,000	150,000	56,176	93,824	55,297
Total Water Treatment	573,715	573,715	456,779	116,936	409,394

Dillon Valley District
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for 2024)
(continued)

	2025				2024
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures (continued):					
Debt Service:					
Debt principal payments	250,000	250,000	315,000	(65,000)	245,000
Interest expense	26,208	26,208	50,612	(24,404)	29,996
Debt issuance costs	-	40,000	24,380	15,620	-
Total Debt Service	<u>276,208</u>	<u>316,208</u>	<u>389,992</u>	<u>(73,784)</u>	<u>274,996</u>
Capital Outlay:					
Capital Outlay	820,000	820,000	1,443,891	(623,891)	403,972
Total Capital Outlay	<u>820,000</u>	<u>820,000</u>	<u>1,443,891</u>	<u>(623,891)</u>	<u>403,972</u>
Total Expenditures	<u>2,309,566</u>	<u>2,349,566</u>	<u>2,918,553</u>	<u>(568,987)</u>	<u>1,701,900</u>
Change in Net Position - Non-GAAP Basis	<u>(580,691)</u>	<u>419,309</u>	(44,471)	<u>(463,780)</u>	83,296
Adjustments to GAAP Basis:					
Gain (loss) on investment in Joint Sewer Authority			38,094		28,197
Depreciation			(421,000)		(305,592)
Capitalized assets			1,443,891		403,972
Debt proceeds			(1,040,000)		-
Debt principal payments			315,000		245,000
Total Adjustments			<u>335,985</u>		<u>371,577</u>
Change in Net Position - GAAP Basis			<u>291,514</u>		<u>454,873</u>

Dillon Valley District
Schedule of Water and Sewer Functions
Estimated Allocation of Assets, Liabilities, and Net Position
December 31, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Assets:			
Current Assets:			
Cash and cash equivalents	226,973	717,641	944,614
Accounts receivable, net	324,497	172,957	497,454
Lease receivable	36,553	36,554	73,107
Prepaid expenses	17,624	17,625	35,249
Total Current Assets	<u>605,647</u>	<u>944,777</u>	<u>1,550,424</u>
Non-current Assets:			
Investment in Joint Sewer Authority	-	532,497	532,497
Capital assets:			
Non-depreciable	282,303	51,675	333,978
Depreciable, net	3,502,853	1,790,420	5,293,273
Total Non-current Assets	<u>3,785,156</u>	<u>2,374,592</u>	<u>6,159,748</u>
Total Assets	<u>4,390,803</u>	<u>3,319,369</u>	<u>7,710,172</u>
Liabilities:			
Current Liabilities:			
Accounts payable	40,165	12,428	52,593
Unearned revenue	1,738	1,207	2,945
Current portion long-term debt	255,000	75,000	330,000
Total Current Liabilities	<u>296,903</u>	<u>88,635</u>	<u>385,538</u>
Non-current Liabilities:			
Debt payable - net of current portion	1,055,000	900,000	1,955,000
Total Non-current Liabilities	<u>1,055,000</u>	<u>900,000</u>	<u>1,955,000</u>
Total Liabilities	<u>1,351,903</u>	<u>988,635</u>	<u>2,340,538</u>
Deferred Inflow of Resources:			
Lease revenue	36,553	36,554	73,107
Total Deferred Inflow of Resources	<u>36,553</u>	<u>36,554</u>	<u>73,107</u>
Net Position:			
Net investment in capital assets	2,475,156	867,095	3,342,251
Unrestricted	527,191	1,427,085	1,954,276
Total Net Position	<u>3,002,347</u>	<u>2,294,180</u>	<u>5,296,527</u>

Dillon Valley District
Schedule of Water and Sewer Functions
Estimated Allocation of Revenues, Expenses, and Net Position
For the Year Ended December 31, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues:			
Charges for service	996,542	691,828	1,688,370
Penalties	8,689	6,032	14,721
Other	1,000	-	1,000
Total Operating Revenues	<u>1,006,231</u>	<u>697,860</u>	<u>1,704,091</u>
Operating Expenses:			
Administration	77,224	77,225	154,449
Operating expenses	705,361	645,860	1,351,221
Total Operating Expenses	<u>782,585</u>	<u>723,085</u>	<u>1,505,670</u>
Operating (Loss)	<u>223,646</u>	<u>(25,225)</u>	<u>198,421</u>
Non-operating Revenues (Expenses):			
Interest revenue	27,440	27,441	54,881
Interest expense	(50,612)	-	(50,612)
Lease revenue	10,000	10,000	20,000
Debt issuance cost	-	(24,380)	(24,380)
Other revenue	49,375	-	49,375
Gain (loss) on investment in Joint Sewer Authority	-	38,094	38,094
Total Non-operating Revenues (Expenses)	<u>36,203</u>	<u>51,155</u>	<u>87,358</u>
Income Before Capital Contributions	259,849	25,930	285,779
Capital Contributions			
Tap fees	2,867	2,868	5,735
Total Capital Contributions	<u>2,867</u>	<u>2,868</u>	<u>5,735</u>
Change in Net Position	262,716	28,798	291,514
Total Net Position - Beginning	<u>2,739,631</u>	<u>2,265,382</u>	<u>5,005,013</u>
Total Net Position - Ending	<u><u>3,002,347</u></u>	<u><u>2,294,180</u></u>	<u><u>5,296,527</u></u>

Dillon Valley District
Historical Schedule of Capacity with Joint Sewer Authority

Date	Transaction	Treatment Plant			Joint Interceptor			East Bank Interceptor				
		EQRs in Treatment Plant		Total Nominal Plant Capacity	EQRs in Joint Interceptor		Total Nominal Joint Interceptor Capacity	EQRs in East Bank Interceptor		Total Nominal East Bank Interceptor Capacity		
		Constructed Capacity	Reserved Capacity	Constructed Capacity	Reserved Capacity	Lower Joint Interceptor	Upper Joint Interceptor	Lower Joint Interceptor	Upper Joint Interceptor	Lower Segment	Middle Segment	Upper Segment
7/20/1971	Dillon Valley Agreement		1,900									
2/28/1973	Addendum											
[1]	First expansion	154		1,500		1,900	7,000	1,900	1,900	3,900	3,900	3,900
[1]	Second expansion	103		840			3,800			330	330	(170)
[1]	Plant expansion	543		2,800								
6/13/1980	JSA-County Agreement	(22)										
[1]	JSA Sale to County Plant	(10)										
10/1/1980	Expansion			2,000								
5/11/1981	East Bank Interceptor Report											
7/6/1981	Joint Authority Agreement	500										
7/27/1981	DVD-BMMD Agreement	(30)	(300)		(300)							
10/1/1987	Sludge Dewatering Project			(50)								
12/23/1993	DVD-BMMD Assignment	(55)	(55)		(55)							
12/29/1993	DVD-BMMD Agreement											
1/24/1995	DVD-BMMD Agreement	(336)	(336)		(336)							
2/13/1995	DVD-Mesa Cortina	(26)			(336)							
4/18/1996	DVD-BMMD Agreement			2,350								
12/31/2002	Contract 35											
10/21/2010	DVD to Mesa Cortina				(26)							
1/1/2013	Net effect of Amendment 1	125	125	1,200	125	125	1,137	1,074	(717)	(717)	(414)	(414)
12/14/2022	EQR Redefinition								125	125	447	377
12/31/2024	Cumulative Total	1,308	1,308	11,200	1,308	1,308	11,937	11,274	1,308	1,308	4,974	4,748
												3,963

[1] - Date unknown