SOUTH ARAPAHOE SANITATION DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2025 AND 2024

SOUTH ARAPAHOE SANITATION DISTRICT
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Board of Directors
South Arapahoe Sanitation District
Arapahoe County, Colorado

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of South Arapahoe Sanitation District (the "District"), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of South Arapahoe Sanitation District as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

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

Wipfli LLP

Wipfli LLP
Denver, Colorado

July 17, 2026

The management of South Arapahoe Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2025.

Financial Highlights

- Net position increased $636,089 during 2025.
- The District had $1,750,760 of operating revenue for sewer services as compared to revenue of $1,673,696 in 2024, and $1,000,627 of operating expenses (exclusive of depreciation) for sewer as compared to expenses of $902,098 in 2024.
- Operating revenues increased 4.60% and operating expenses (exclusive of depreciation) increased 10.92% from 2024 revenues and expenses, respectively.
- Zero sewer taps were issued in 2025, keeping the total number of Single Family Equivalents (SFE) in the District to 11,135.
- Funds available (current assets less current liabilities) increased $564,266 from $6,958,476 in 2024 to $7,522,742 in 2025.
- The District constructed $419,465 of capital improvements during 2025.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of Financial Statements and Notes to Financial Statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The financial statements of the District are presented as a special purpose government engaged only in business type activities - providing sewer utility services.

The *statement of net position* presents information on all of the District's assets, liabilities and deferred inflow of resources, with the difference between the three reported as net position. Over time, increases or decreases in the 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 net position* presents information that reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *statement of cash flows* reports the District's cash flows from operating, noncapital financing, capital, and investing activities.

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

The *supplemental information* contained in this report provides a schedule of budget and actual information and a reconciliation of budgetary basis to the statement of revenues, expenses, and changes in net assets.

The statement of net position and reviews of revenue and expenses are condensed with comments and presented as follows:

	December 31, 2025	December 31, 2024	December 31, 2023
Assets:			
Current Assets	$ 8,744,293	$ 8,084,677	$ 7,655,779
Capital Assets	7,938,374	7,866,551	7,672,364
Total Assets	16,682,667	15,951,228	15,328,143
Liabilities:			
Current Liabilities	1,221,551	1,126,201	1,190,385
Total Liabilities	1,221,551	1,126,201	1,190,385
Net Position:			
Net Assets Invested in Capital Assets	7,938,374	7,866,551	7,672,364
Unrestricted Net Position	7,522,742	6,958,476	6,465,394
Total Net Position	$ 15,461,116	$ 14,825,027	$ 14,137,758

The District increased its net position $636,089 during 2025 and $687,269 during 2024. Current assets increased $659,616 from 2024. The "Funds Available" (current assets less current liabilities) calculates to $7,522,742 for 2025 and $6,958,476 for 2024, which is available primarily for future operations and capital projects.

	December 31,		
	2025	2024	2023
Revenues:			
Operating Revenues:			
Sewer Services	$ 1,750,760	$ 1,673,696	$ 1,654,781
Total Operating Revenues	1,750,760	1,673,696	1,654,781
Nonoperating Revenues(Expenses):			
Investment Income	293,601	325,895	305,419
Other Income	54,121	46,799	3,100
Total Nonoperating Revenues	347,722	372,694	308,519
Capital Contributions:			
Tap Fees	-	2,010	1,500
Total Capital Contributions	-	2,010	1,500
Total Revenues	2,098,482	2,048,400	1,964,800
Expenses:			
Operating Expenses:			
Sewer	1,000,627	902,098	925,278
Total Operating Expenses	1,000,627	902,098	925,278
General and Administrative	114,124	109,456	99,534
Depreciation	347,642	349,577	342,523
Total Expenses	1,462,393	1,361,131	1,367,335
Change in Net Position	636,089	687,269	597,465
Net Position - Beginning of Year	14,825,027	14,137,758	13,540,293
Net Position - End of Year	$ 15,461,116	$ 14,825,027	$ 14,137,758

Total revenues increased $50,082 in 2025. Sewer services increased $77,064 and nonoperating revenue decreased $24,972. In 2025, tap fees decreased by $2,010. The decrease in net investment income was due to lower average interest rate yields on the District's local government investment pool from 2024 to 2025. The City bills annually in advance in June, September, and December. District transmission fees are a percentage of the City's service treatment fees, which were 40% in 2025 and 40% in 2024 and 40% in 2023. Operating and general and administrative expenses increased $103,197 over 2024 expenses, due mainly to increase in repairs and maintenance expense.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets, and debt repayments, as well as capital outlay, in addition to operations and nonoperating revenue and contributions. Depreciation is not reflected on the budget since it does not affect "Funds Available." This budgetary accounting is required by state statutes.

Total revenue of the District was more than the budgeted revenue by $84,982 due mainly to the positive variances for investment income, other revenue, and plan review/construction observation fees. The positive variances were offset by negative variances for grease trap review fee and sewer tap fees.

Actual expenditures of the District were less than the budgeted appropriation by $389,652, which included positive variances for capital improvements, locates, engineering management, and others. There were no negative variances to offset the positive variances.

Capital Assets Activity

The activity related to capital assets during 2025, 2024, and 2023 is as follows:

	December 31, 2024	Net Changes	December 31, 2025
Land and Easements	$ 64,057	$ -	$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor	343,026	-	343,026
Sewer System	18,009,197	419,465	18,428,662
Total Capital Assets	18,416,280	419,465	18,835,745
Accumulated Depreciation	(10,549,729)	(347,642)	(10,897,371)
Net Capital Assets	$ 7,866,551	$ 71,823	$ 7,938,374

	December 31, 2023	Net Changes	December 31, 2024
Land and Easements	$ 64,057	$ -	$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor	343,026	-	343,026
Sewer System	17,465,433	543,764	18,009,197
Total Capital Assets	17,872,516	543,764	18,416,280
Accumulated Depreciation	(10,200,152)	(349,577)	(10,549,729)
Net Capital Assets	$ 7,672,364	$ 194,187	$ 7,866,551

	December 31, 2022	Net Changes	December 31, 2023
Land and Easements	$ 64,057	$ -	$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor	343,026	-	343,026
Sewer System	17,295,410	170,023	17,465,433
Total Capital Assets	17,702,493	170,023	17,872,516
Accumulated Depreciation	(9,857,629)	(342,523)	(10,200,152)
Net Capital Assets	$ 7,844,864	$ (172,500)	$ 7,672,364

The 2025 capital asset activity of $405,615 and the 2024 capital asset activity of $543,764 were spent for engineering, design, and construction of sewer pipe by cured-in-place rehabilitation and manhole rehabilitation. In 2025, the District also spent $13,850 for GIS system program. In 2024, the District also spent $0 for GIS system upgrade.

Additional information on the District's capital assets can be found in Note 4 of this report.

Economic and Other Factors

The District expects to maintain a customer base of approximately 11,100 Single Family Equivalents (SFE). The planned continuing maintenance schedule of the District will videotape all clay lines over a two-year period, all PVC lines over a four-year period, and all outfall lines over a four-year period. All line types will be jet cleaned at least every four years. The District is also developing a Geographic Information System (GIS) that will provide detailed information on the District's sewer assets.

The District intends to maintain its percentage for transmission fees at a rate that will generate revenues to produce a funds available balance that will be sufficient to provide a capital reserve for future replacement of the District's sewer system assets, as well as unforeseen contingencies. The District's targeted reserves for capital replacement on December 31, 2025, was $3,326,671.

Request for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Arapahoe Sanitation District
2001 16th Street, Suite 1700
Denver, CO 80202

BASIC FINANCIAL STATEMENTS

SOUTH ARAPAHOE SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	$ 13,456	$ 13,823
Investments	7,210,990	5,873,748
Accounts Receivable	1,509,000	2,182,451
Prepaid Expenses	10,847	14,655
Total Current Assets	8,744,293	8,084,677
CAPITAL ASSETS, Net		
Capital Assets Not Being Depreciated	407,083	407,083
Capital Assets, Net of Accumulated Depreciation	7,531,291	7,459,468
Total Capital Assets, Net	7,938,374	7,866,551
Total Assets	$ 16,682,667	$ 15,951,228
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	$ 90,656	$ 78,078
Retainage Payable	20,064	-
Unearned Revenue	1,110,831	1,047,015
Director Fees Payable	-	1,108
Total Current Liabilities	1,221,551	1,126,201
NET POSITION		
Net Investment in Capital Assets	7,938,374	7,866,551
Unrestricted	7,522,742	6,958,476
Total Net Position	15,461,116	14,825,027
Total Liabilities and Net Position	$ 16,682,667	$ 15,951,228

See accompanying Notes to Basic Financial Statements.

SOUTH ARAPAHOE SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
District Transmission Fee	$ 1,739,510	$ 1,662,521
Grease Trap Review Fee	11,250	11,175
Total Operating Revenues	1,750,760	1,673,696
OPERATING EXPENSES		
General and Administrative:		
Accounting	52,271	55,850
Auditing	6,996	6,500
Conference/seminars	2,192	2,072
Customer communications	4,088	2,880
Directors' fees	5,500	5,900
Dues and licenses	1,061	1,121
Insurance and bonds	13,283	11,695
Legal services	26,892	14,463
Miscellaneous	403	7,388
Payroll taxes	421	451
Utilities	1,017	1,136
Sewer		
Depreciation	347,642	349,577
Engineering Management	179,186	183,211
Locates	179,332	182,310
Plan review/construction observation	21,743	13,494
Repairs and Maintenance	620,366	523,083
Total Operating Expenses	1,462,393	1,361,131
OPERATING INCOME	288,367	312,565
NONOPERATING REVENUES		
Investment Income	293,601	325,895
Plan Review/Construction Observation Fees	28,300	1,400
Other Revenue	25,821	45,399
Total Nonoperating Revenues	347,722	372,694
CAPITAL CONTRIBUTIONS		
Sewer Tap Fees	-	2,010
Total Capital Contributions	-	2,010
CHANGE IN NET POSITION	636,089	687,269
Total Net Position - Beginning of Year	14,825,027	14,137,758
TOTAL NET POSITION - END OF YEAR	$ 15,461,116	$ 14,825,027

See accompanying Notes to Basic Financial Statements.

SOUTH ARAPAHOE SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 2,488,027	$ 664,053
Payment for Operating Expenses	(1,079,409)	(1,125,703)
Net Cash Provided (Used) by Operating Activities	1,408,618	(461,650)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other Nonoperating Revenues	54,121	46,799
Net Cash Provided by Noncapital Financing Activities	54,121	46,799
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap Fees	-	2,010
Acquisition of Capital Assets	(419,465)	(543,764)
Net Cash Used by Capital and Related Financing Activities	(419,465)	(541,754)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	293,601	325,895
Net Cash Provided by Investing Activities	293,601	325,895
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,336,875	(630,710)
Cash and Cash Equivalents - Beginning of Year	5,887,571	6,518,281
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,224,446	$ 5,887,571
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash	$ 13,456	$ 13,823
Investments	7,210,990	5,873,748
Total Cash and Cash Equivalents	$ 7,224,446	$ 5,887,571
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 288,367	$ 312,565
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation/Amortization	347,642	349,577
(Increase) Decrease in:		
Accounts Receivable	673,451	(1,044,953)
Prepaid Expense	3,808	(14,655)
Increase (Decrease) in:		
Accounts Payable and Retainage Payable	31,534	(99,494)
Unearned Revenue	63,816	35,310
Net Cash Provided (Used) by Operating Activities	$ 1,408,618	$ (461,650)

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

South Arapahoe Sanitation District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for Arapahoe County on July 30, 1957, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in unincorporated Arapahoe County, Colorado, City of Greenwood Village, Colorado, City of Littleton, Colorado, and City of Centennial, Colorado. The District was established to provide and maintain sanitary sewer lines and contracts with the City of Englewood (City) for sewage treatment services.

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

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

The District has no employees, and all operations and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing sanitation service to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

Budgets

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

Cash Equivalents

For purposes of the statements of cash flows, the District considers all cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets

Capital assets, which include land and easements, capacity rights, and sewer system components, are reported by the District. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of 10 to 40 years.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Public Improvements

Public improvements contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair value when received.

The District receives contributions in aid of construction from various sources. They are recorded as follows:

Sewer System – Sewer lines are temporarily accepted by the District for a probationary period of 12 months, during which time the developer remains responsible for maintenance and operation of the lines. Upon completion of the probationary period and the meeting of certain requirements, the lines are permanently accepted by the District. The lines are recorded at the time of probationary acceptance by the District at actual or estimated cost to the developer as capital contributions.

Tap Fees – These fees become collectible upon issuance of the tap permit and are classified as capital contributions at the time of collection.

Inclusion Fees – The District, upon approval of the board of directors, allows lines from outside the District's boundaries to connect to its sewer lines. The users of these lines are billed for the cost of the facilities to be constructed by the District in order to complete the connection.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2025 and 2024, are classified in the accompanying financial statements as follows:

	2025	2024
Statement of Net Position:		
Cash	$ 13,456	$ 13,823
Investments	7,210,990	5,873,748
Total Cash and Investments	$ 7,224,446	$ 5,887,571

Cash and cash equivalents per the statements of cash flows as of December 31, 2025 and 2024 consist of the following:

	2025	2024
Deposits with Financial Institutions	$ 13,456	$ 13,823
Investments	7,210,990	5,873,748
Total Cash and Investments	$ 7,224,446	$ 5,887,571

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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 determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The state commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2025 and 2024, the District's cash deposits had a bank balance of $13,456 and $13,823 and a carrying balance of $13,456 and $13,823, respectively.

Investments

The District has adopted a formal investment policy which follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

. Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
. General obligation and revenue bonds of U.S. local government entities
. Certain certificates of participation
. Certain securities lending agreements
. Bankers' acceptances of certain banks
. Commercial paper
. Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
. Certain money market funds
. Guaranteed investment contracts
* Local government investment pools

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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 Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), and COLOTRUST which are recorded at net asset value.

As of December 31, 2025 and 2024, the District had the following investments:

		Amount	
Investment	Maturity	2025	2024
Colorado Local Government Liquid Asset	Weighted-Average		
Trust (COLOTRUST PLUS)	Under 60 Days	$ 7,198,863	$ 5,862,148
Trust (COLOTRUST EDGE)	Under 60 Days	12,127	11,600
Total		$ 7,210,990	$ 5,873,748

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, AND COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund, offer daily liquidity. Each share is equal in value to $1.00. Both portfolios may invest in U.S. treasury securities and repurchase agreements collateralized by U.S. treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS-24-75-601, including U.S. treasury securities, repurchase agreements collateralized by U.S. treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS-24-75-601.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST is rated AAAm by Standard & Poor’s. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2025 and 2024 follows:

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Capital Assets, Not Being Depreciated:				
Land and Easements	$ 64,057	$ -	$ -	$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor	343,026	-	-	343,026
Total Capital Assets, Not Being Depreciated	407,083	-	-	407,083
Capital Assets, Being Depreciated:				
GIS Program	146,672	13,850	-	160,522
Sewer System	17,862,525	405,615	-	18,268,140
Total Capital Assets, Being Depreciated	18,009,197	419,465	-	18,428,662
Less: Accumulated Depreciation for:				
GIS Program	(109,152)	(6,316)	-	(115,468)
Sewer System	(10,440,577)	(341,326)	-	(10,781,903)
Total Accumulated Depreciation	(10,549,729)	(347,642)	-	(10,897,371)
Total Capital Assets, Being Depreciated, Net	7,459,468	71,823	-	7,531,291
Capital Assets, Net	$ 7,866,551	$ 71,823	$ -	$ 7,938,374

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance at December 31, 2023	Increases	Decreases	Balance at December 31, 2024
Capital Assets, Not Being Depreciated:				
Land and Easements	$ 64,057	$ -	$ -	$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor	343,026	-	-	343,026
Total Capital Assets, Not Being Depreciated	407,083	-	-	407,083
Capital Assets, Being Depreciated:				
GIS Program	146,672	-	-	146,672
Sewer System	17,318,761	543,764	-	17,862,525
Total Capital Assets, Being Depreciated	17,465,433	543,764	-	18,009,197
Less: Accumulated Depreciation for:				
GIS Program	(101,757)	(7,395)	-	(109,152)
Sewer System	(10,098,395)	(342,182)	-	(10,440,577)
Total Accumulated Depreciation	(10,200,152)	(349,577)	-	(10,549,729)
Total Capital Assets, Being Depreciated, Net	7,265,281	194,187	-	7,459,468
Capital Assets, Net	$ 7,672,364	$ 194,187	$ -	$ 7,866,551

Depreciation expense for the years ended December 31, 2025 and 2024 was charged to the following operations:

	2025	2024
Sewer	$ 347,642	$ 349,577
Total Depreciation Expense	$ 347,642	$ 349,577

NOTE 5 INTERGOVERNMENTAL AGREEMENTS

City of Englewood Sewage Treatment

The District has a service contract with the City of Englewood. Under the terms of the contract, Englewood treats all District sewage, bills District residents for this service, and retains all treatment service billing collections. Englewood Service treatment fees were $4,495,405 and $4,244,617 in 2025 and 2024, respectively.

NOTE 5 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

City of Englewood Sewage Treatment (Continued)

The District charges for transmission fees which are added to the treatment fees billed by Englewood. Collection of these fees, net of uncollected transmission and treatment fees, are remitted periodically to the District by Englewood.

Basin Interceptor Agreement

The District has entered into an intergovernmental agreement (Basin Interceptor Agreement) with the City of Englewood, Southgate Sanitation District, and the South Englewood Sanitation District to provide for the orderly and timely enlargement of the Big Dry Creek Interceptor system and to properly allocate the individual entities' capacity rights of the interceptor. Legal title to the interceptor shall be held by the City of Englewood and the Southgate Sanitation District. The District shall have the capacity rights set forth in the agreement in the amount of 13,331 Single Family Equivalents. The Agreement identifies eight projects to enlarge the Big Creek Interceptor.

Englewood bills the residents in each party's service area for the estimated maintenance costs of the interceptor and retains all billing collections in trust.

In late 2005, Southgate Sanitation District advised the other parties to the Basin Interceptor Agreement that further enlargement of the interceptor is unnecessary based upon Southgate's flow projections and engineering analysis. Southgate will limit repair and refurbishment of the interceptor to improvements and measures needed to maintain existing capacity. The participants will be subject to proportionate billings for major repairs/improvements above the amounts contributed for routine maintenance.

Southgate Sanitation District

In conjunction with the Basin Interceptor Agreement, the District has entered into an agreement with the Southgate Sanitation District whereby Southgate assumes the liability for any further capital payments due under the Basin Interceptor Agreement until such time as 1,000 SFE taps have been authorized for service in South Arapahoe. The District estimates that 1,000 SFE taps are more than will be required by the District and, therefore, does not estimate that any payments will be required on the Basin Interceptor Agreement for enlargement of the facilities.

Wastewater Connector and Transmission Agreement

On April 24, 2017, the District entered into an agreement with Arapahoe County, the City of Englewood, and Waste Management of Colorado, Inc. The agreement permits Arapahoe County and Waste Management of Colorado, Inc. to connect a line to the District's sewer system to transmit effluent for the continued dewatering of a landfill site. The City of Englewood is a party to the agreement because it provides the wastewater treatment. The District charges an annual base service charge for the landfill tap in the amount of $1,000, due in advance. The agreement is in effect through December 31, 2032.

NOTE 6 NET POSITION

The District has net position consisting of two components - net investment in capital assets and unrestricted.

Net investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025 and 2024, the District had net investment in capital assets calculated as follows:

	2025	2024
Net Investment in Capital Assets:		
Capital Assets, Net	$ 18,835,745	$ 18,416,280
Less: Depreciation	(10,897,371)	(10,549,729)
Net Investment in Capital Assets	$ 7,938,374	$ 7,866,551

The unrestricted component of net position is the net amount of the assets, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 7 RISK MANAGEMENT

Except as provided in 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; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. 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, public officials' liability, and workers compensation 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.

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes its operations qualify for this exclusion.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As an enterprise, the District is exempt from this requirement.

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

SUPPLEMENTARY INFORMATION

SOUTH ARAPAHOE SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment Income	$ 260,000	$ 293,601	$ 33,601
District Transmission Fee	1,730,000	1,739,510	9,510
Grease Trap Review Fee	15,000	11,250	(3,750)
Plan Review/Construction Observation Fees	5,000	28,300	23,300
Other Revenue	2,000	25,821	23,821
Sewer Tap Fees	1,500	-	(1,500)
Total Revenues	2,013,500	2,098,482	84,982
EXPENDITURES			
Directors' fees	6,000	5,500	500
Conference/seminars	3,000	2,192	808
Customer communications	4,830	4,088	742
Payroll taxes	459	421	38
Plan review/construction observation	28,350	21,743	6,607
Locates	220,000	179,332	40,668
Website Maintenance	2,000	-	2,000
Accounting	60,000	52,271	7,729
Auditing	7,000	6,996	4
Dues and licenses	2,000	1,061	939
Insurance and bonds	13,500	13,283	217
Legal services	40,000	26,892	13,108
Miscellaneous	2,000	403	1,597
Utilities	2,000	1,017	983
Engineering Management	206,850	179,186	27,664
Repairs and Maintenance	639,220	620,366	18,854
Capital Improvements	686,660	419,465	267,195
Total Expenditures	1,923,869	1,534,216	389,653
EXCESS OF REVENUES OVER EXPENDITURES	89,631	564,266	474,635
Fund Balance - Beginning of Year	6,674,981	6,958,475	283,494
FUND BALANCE - END OF YEAR	$ 6,764,612	$ 7,522,741	$ 758,129

SOUTH ARAPAHOE SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2025

	Actual
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES) (BUDGETARY BASIS)	$ 564,266
Add:	
Current Year Capital Outlay	419,465
Deduct:	
Depreciation	(347,642)
CHANGE IN NET POSITION	636,089
Net Position - Beginning of Year	14,825,027
NET POSITION - END OF YEAR	$ 15,461,116