BANCROFT-CLOVER WATER AND SANITATION DISTRICT JEFFERSON COUNTY, COLORADO

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2025

Crady, Puca & Associates

Certified Public Accountants & Consultants

BANCROFT-CLOVER WATER AND SANITATION DISTRICT
JEFFERSON COUNTY, COLORADO

TABLE OF CONTENTS

	Page
Independent Auditors' Report	i-iii
Management's Discussion and Analysis	iv-viii
Basic Financial Statements	
Statement of Net Position	1
Statement of Revenues, Expenses and Changes in Net Position	2
Statement of Cash Flows	3
Notes to Financial Statements	4-15
Supplementary Information	
Schedule of Revenues and Expenditures -Budget and Actual (Budgetary Basis)	16
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses And Changes in Net Position	17

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Bancroft-Clover Water and Sanitation District

Jefferson County, Colorado

Opinions

We have audited the accompanying financial statements of the business-type activities of the Bancroft-Clover Water and Sanitation District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Bancroft-Clover Water and Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bancroft-Clover Water and Sanitation District, as of December 31, 2025, and the respective changes in financial position and, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bancroft-Clover Water and Sanitation 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 Bancroft-Clover Water and Sanitation 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 Bancroft-Clover Water and Sanitation District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv through viii 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 opinions on the financial statements that collectively comprise the Bancroft-Clover Water and Sanitation District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis), page 16 and the Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Net Position, page 17 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Summarized Comparative Information

The prior year summarized comparative information has been derived from the District's 2024 financial statements, and in our report dated June 16, 2025, we expressed an unmodified opinion on those financial statements. The information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crady, Puca & Associates

Aurora, CO
June 15, 2026

Bancroft-Clover Water & Sanitation District
Management's Discussion and Analysis

This section of the District’s annual financial audit presents our analysis of the District's financial performance during the Fiscal Year ending December 31, 2025. Please read it in conjunction with the financial statements.

Financial Highlights

Bancroft-Clover Water and Sanitation District increased its net position by $1,833,477 in 2025 compared to an increase in net position of $2,750,749 in 2024. The increase in net position was due to an increase in investment income.

In 2025, fees for new tap sales were $753,730 under budget due to slowing multi-family residential construction. In addition, operating revenue was $193,461 below budget due to lower customer demand for water and sewer service. Lower operating income was offset by substantially higher investment income of $1,577,840. Investment income was $827,840 over due to US Treasury yields remaining elevated throughout 2025.

Capital spending for water projects was $601,396 over budget due to higher bid construction costs than budgeted for the W. Florida Ave. waterline replacement project. Capital spending for sewer projects was $486,817 under budget due to delayed completion of the Kipling & Asbury sewer line replacement project and lower than budgeted cost for the 2025 CIPP project. Administrative capital spending was $434,850 due to delays in facility renovation.

Overview of the Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long- term financial information about its activities.

Statement of Net Position

The Statement of Net Position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses, and Changes in Net Position

This statement measures the results of the District's operations over the past year and may be used to determine profitability, creditworthiness, and whether the District has successfully recovered all its costs through its user fees and other charges.

Statement of Cash Flows

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, non-capital financing, capital, and related financing, and investing activities. It also provides answers to such questions as where the cash came from, how cash was used, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that can help answer that question. These two statements report on the net position of the District and the related change in these assets. The District's net position, (the difference between assets and liabilities), is one way to measure financial health or financial position. Over time, increases in the District's net position are one indicator that the District's financial health is improving. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, or changed governmental legislation.

Net Position

As part of our analysis, we provide a summary of the District's Statement of Net Position (below):

	2025	2024	Increase (Decrease)
Assets			
Current Assets	$ 16,900,838	$ 24,074,945	$(7,174,107)
Capital and other assets	52,627,141	42,844,345	9,782,796
Total Assets	69,527,979	66,919,290	2,608,689
Liabilities and Deferred Inflows			
Current Liabilities	1,293,039	516,529	776,510
Deferred Inflows	616,700	617,998	(1,298)
Total Liabilities and Deferred Inflows	1,909,739	1,134,527	775,212
Net Position			
Invested in Capital Assets	33,187,465	29,721,936	3,465,529
Restricted	71,519	67,660	3,859
Unrestricted	34,359,256	35,995,167	(1,635,911)
Total Net Position	$ 67,618,240	$ 65,784,763	$ 1,833,477

The District's net position increased by $1,833,477 or 2.8%, primarily due to investment income of $1,577,840.

The Statement of Net Position shows the changes in the financial position and the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. During 2025, the District's Net Income from Operations decreased by $994,313 or 224% compared to 2024. This decrease was driven by increased sewer treatment costs and increased costs for emergency repair of water lines.

Net Position (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

December 31	2025	2024	Increase (Decrease)
Operating Revenues	$ 14,749,939	$ 14,640,919	$ 109,020
Less: Operating Expenses	14,326,730	13,330,097	996,633
Less: Depreciation	973,700	867,000	106,700
Net Income from Operations	(550,491)	443,822	(994,313)
Non-operating revenues (expenses)	2,292,668	2,256,342	36,326
Capital Contributions	91,300	50,585	40,715
Increase in Net Position	1,833,477	2,750,749	(917,272)
Net Position, Beginning of Year	65,784,763	63,034,014	2,750,749
Net Position, End of Year	$ 67,618,240	$ 65,784,763	$ 1,833,477

Budgetary Highlights

As required by State Law, the District adopts a budget and appropriates funds by December 16 for the following fiscal year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado. In 2025, no supplemental appropriation was requested. Budget to actual comparative statements are included as Supplemental Information in the audited financial statements on pages 16-17. The larger variances between what was approved by the Board and what was realized are discussed below:

1. Tap fees collected in 2025 were $753,730 below budget. Construction of several large multi-family developments was delayed due to high credit costs.

2. Investment income was $827,840 over budget. Interest rates on U S treasury notes remained above projections allowing maturing notes to be reinvested at higher rates. In addition, lower capital spending allowed those funds to remain invested throughout the year.

3. Capital spending for waterline projects was $601,396 higher than the budget due to final contract bids being higher than budgeted and construction change orders for site conditions.

4. Sewer system capital was $486,817 below budget. The scope of the Cured In Place Pipe (CIPP) rehabilitation project was reduced due to fewer service connection rehabilitations than projected and delays in the completion of the Kipling and Asbury sewer line replacement project.

5. Administrative capital spending was $434,850 below budget due to delays in the administration building renovation project.

Capital Assets and Debt Administration

At the end of 2025, the District had $33,187,465 invested in net property, plant and equipment representing an increase of 11.6% over the prior year. The table below summarizes the changes in property, plant, and equipment.

Capital Assets

December 31,	2025	2024	Increase (Decrease)
Water System	$ 30,778,646	$28,284,300	$ 2,494,346
Sewer System	22,046,740	20,852,703	1,194,037
Buildings	2,246,863	2,225,377	21,486
Furniture, equipment, and vehicles	898,633	907,569	(8,936)
	55,970,882	52,269,949	3,700,933
Less: accumulated depreciation	(24,867,542)	(23,945,263)	922,279
Net depreciable capital assets	31,103,340	28,324,686	2,778,654
Land	144,728	144,728	-
Construction in Progress	1,939,397	1,252,522	686,875
			-
Net capital assets	$ 33,187,465	$ 29,721,936	$ 3,465,5291

Capital asset increases are largely due to the construction of the W. Florida Ave. waterline and the 2024 Cured In Place Pipe (CIPP) rehabilitation project.

Long-Term Debt

The District continues to have zero long-term debt.

ECONOMIC FACTORS AND 2025 SERVICE RATES

The District's Board of Directors and management considered several factors when setting the 2025 budget, including user fees and charges, replacement of service lines and persistent inflation in the general economy. As in past years, the District analyzed the impact of Denver Water's and Metro Water Recovery's 2025 rate adjustments. After considering these factors, the District Board elected to increase water and sewer rates by 3.5%.

In the 2026 budget, Bancroft-Clover's net position is expected to increase by $2.94 million from 2025. The budgeted increase in net position is due to receipt of System Development Charges for major multi-family development projects and reduced capital spending on waterline projects. The 2026 budget includes rate increases of 34.5% for water service and 6.0% for sewer service.

Operating revenue is budgeted to increase 6.8% due to increases in charges for service and normalization of water sales volume. Operating expenses are budgeted to decrease by 4.6% due to adjustment credits for wastewater processing costs.

Requests for Information

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

Tim Lowe, District Manager
Bancroft-Clover Water & Sanitation District
900 S. Wadsworth Boulevard
Lakewood, CO 80226

BASIC FINANCIAL STATEMENTS

BANCROFT-CLOVER WATER AND SANITATION DISTRICT
Statement of Net Position
December 31, 2025
(With Summarized Financial Information as of December 31, 2024)

	2025	2024
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 5,810,640	$ 5,006,714
Investments	8,759,694	16,621,838
Accounts receivable:		
Customers	1,243,649	1,358,539
Other	124,592	151,594
Accrued interest receivable	287,840	264,512
Property tax receivable	620,514	621,850
Prepaid expenses	53,909	49,898
Total current assets	16,900,838	24,074,945
Noncurrent assets:		
Investments	19,439,676	13,122,409
Capital assets:		
Capital assets, not being depreciated	2,084,125	1,397,250
Capital assets, being depreciated, net	31,103,340	28,324,686
Total capital assets	33,187,465	29,721,936
Total noncurrent assets	52,627,141	42,844,345
Total assets	69,527,979	66,919,290
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	1,293,039	516,529
Total liabilities	1,293,039	516,529
DEFERRED INFLOWS OF RESOURCES:		
Deferred property taxes	616,700	617,998
NET POSITION:		
Net investment in capital assets	33,187,465	29,721,936
Restricted	71,519	67,660
Unrestricted	34,359,256	35,995,167
Total net position	$ 67,618,240	$ 65,784,763

The accompanying notes are an integral part of these statements.

BANCROFT-CLOVER WATER AND SANITATION DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2025
(With Summarized Financial Information for the Year Ended December 31, 2024)

	2025	2024
Operating revenues:		
Charges for water service	$ 10,030,718	$ 10,183,527
Charges for sewer services	4,607,596	4,373,516
Other water income	111,625	83,876
Total operating revenues	14,749,939	14,640,919
Operating expenses:		
Water purchased	7,412,194	7,590,968
Sewer treatment contract	3,083,852	2,529,075
Salaries and wages	919,071	914,386
Employee benefits and taxes	300,931	280,706
Contract maintenance	62,487	51,177
Engineering	58,468	77,765
Repairs and maintenance - lines and prevention	1,621,451	1,050,596
Repairs and maintenance - supplies	16,322	10,418
Repairs and maintenance - equipment and building	11,272	3,738
Postage	81,127	65,973
Office expense and supplies	43,939	37,207
Master Plan and Water Rate Study	163,052	173,405
Telephone	27,069	27,095
Insurance	36,406	45,759
IT consulting and expenses	171,507	180,275
Accounting and legal fees	139,208	94,920
Vehicle expenses	29,370	19,864
Utilities	40,404	39,419
Bank fees	94,335	110,107
Miscellaneous	14,265	27,244
Total operating expenses	14,326,730	13,330,097
Operating income before depreciation	423,209	1,310,822
Depreciation	973,700	867,000
Net income (loss) from operations	(550,491)	443,822
Non-operating revenues (expenses):		
Property taxes	627,347	633,761
Specific ownership taxes	46,152	44,873
Net investment income	1,577,840	1,512,492
County treasurer's fees	(9,461)	(9,513)
Other	50,790	74,729
Net non-operating revenues	2,292,668	2,256,342
Income before capital contributions	1,742,177	2,700,164
Capital contributions:		
Tap fees received	56,300	43,644
Contributed capital assets	35,000	6,941
Total Capital Contributions	91,300	50,585
Change in net position	1,833,477	2,750,749
Net position, beginning of year	65,784,763	63,034,014
Net position, end of year	$ 67,618,240	$ 65,784,763

The accompanying notes are an integral part of these statements.

BANCROFT-CLOVER WATER AND SANITATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2025
(With Summarized Financial Information for the Year Ended December 31, 2024)

	2025	2024
Cash flows from operating activities:		
Cash received from customers	$ 14,864,829	$ 14,600,466
Cash paid to suppliers of goods and services	(12,314,671)	(13,188,926)
Cash paid to employees for services	(1,212,558)	(1,134,810)
Net cash provided by operating activities	1,337,600	276,730
Cash flows from non-capital financing activities:		
Property and specific ownership tax	664,076	668,360
Other nonoperating revenue	50,790	74,729
Net cash provided by non-capital financing activities	714,866	743,089
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,404,229)	(1,288,810)
Tap fees received	56,300	43,644
Net cash used in capital and related financing activities	(4,347,929)	(1,245,166)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	16,670,000	17,325,000
Purchases of investments	(14,771,012)	(17,687,127)
Interest on cash and investments	1,200,401	946,102
Net cash provided by investing activities	3,099,389	583,975
Net increase in cash and cash equivalents	803,926	358,628
Cash and cash equivalents, beginning of year	5,006,714	4,648,086
Cash and cash equivalents, end of year	$ 5,810,640	$ 5,006,714
Reconciliation of operating income (loss) to net cash provided by operations		
Operating income (loss)	$ (550,491)	$ 443,822
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	973,700	867,000
(Increase) decrease in:		
Receivables	141,892	(64,224)
Prepaid expenses	(4,011)	(4,471)
(Decrease) increase in:		
Accounts payable and accrued liabilities	776,510	(965,397)
Total adjustments	1,888,091	(167,092)
Net cash provided by operating activities	$ 1,337,600	$ 276,730
Noncash capital activities:		
Fair value (increase) decrease in investments	$ (354,111)	$ (488,783)
Contributed assets	$ 35,000	$ 6,941

The accompanying notes are an integral part of these statements.

1. Summary of Significant Accounting Policies

The accounting policies of the Bancroft-Clover Water and Sanitation District, Jefferson County, Colorado, (the District), conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of the accompanying financial statements.

Reporting Entity

The District is a statutory, single-purpose, Special District governed by a five-member Board of Directors pursuant to provisions of the Colorado Special District Act, C.R.S. Title 32. Qualified electors in the District elect the members of the Board. As required by US GAAP, these financial statements present the activities of the District which is legally separate and financially independent of other state and local governments. The District provides water and sanitation services to southeastern Lakewood and portions of unincorporated Jefferson County, Colorado.

The District complies with GASB accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. It defines component units as legally separate entities for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. Enterprise funds are used by governments to report any activity for which a fee is charged to external users for goods or services.

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations, the delivery of water and wastewater treatment services and related service charges. Operating expenses for the District include costs of sales and services, operating expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Investment income, property taxes, tap fees and contributed assets from developers are recorded as non-operating revenues.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Certain investments are reported at fair value and are classified as current or non-current based on their maturity date. Investments held in the local government investment pools are reported at net asset value or amortized cost, as applicable, as allowed under US GAAP.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its investments within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Revenues/Receivables

Revenues are generated from water service and wastewater collection. The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and place liens on property. The District has determined that no allowance is necessary at December 31, 2025, based on historical collection experience.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets include land, construction in progress, water and sewer distribution and collection systems, buildings, furniture, equipment, and vehicles. Capital assets are defined by the District as assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Water system	30-50
Sewer system	20-50
Buildings and improvements	5-40
Furniture, equipment, and vehicles	5-10

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time frame. The District has only one type of item that qualifies for reporting in this category, *deferred property taxes*. This amount is deferred and recognized as an inflow of resources in the period the amount is collected.

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Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair market value when received.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)

Net Position

The District classifies net position into three components:

- Net position invested in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

- Restricted net position - consists of assets that are restricted by the District's creditors, by state enabling legislation, by grantors (both federal and state), and by other contributors.

- Unrestricted net position – all remaining items of net position are reported in this category.

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

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioner to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Property taxes are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. These amounts are recorded as revenue in the subsequent year when they are collected.

Estimates

The preparation of financial statements in conformity with US GAAP requires District management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates, and such differences could be material.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)

Comparative Data

The financial statements contain certain prior year summarized comparative information. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications made in prior year have no impact on total net position or change in net position.

2. Stewardship, Compliance and Accountability

Budgetary Information

The District's budget is adopted and presented to the state on a basis consistent with US GAAP with the following exceptions: depreciation expense is not budgeted; capital outlays are treated as expenses for budget purposes; and budget excludes gain/loss on asset disposals and capital contributions. State law requires the District to adopt annual appropriated budgets for all funds.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

Prior to October 15 of each year, the District Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing the following January 1 to the Board of Directors (elected officials). The operating budget for the fund includes proposed expenses and the means of financing them.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

2. Stewardship, Compliance and Accountability (continued)

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, and revenue and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's "fiscal year spending" adjusted for allowable increases based upon inflation and local growth. "Fiscal year spending" is generally defined as expenditures plus reserve increase with certain exceptions. Revenue in excess of the "fiscal year spending" limit must be refunded unless the voters approve retention of such revenue.

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 emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved a portion of its December 31, 2025 year-end net position for emergencies as required under TABOR of $71,519, which is the approximate required reserve as of December 31, 2025.

The District's management believes it is in compliance with the provisions of TABOR, based upon its interpretation of the Amendment's language, however, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate "fiscal year spending" limits may not become fully understood without judicial review.

3. Detailed Notes Concerning the Fund

Cash and Investments

Deposits and investments are classified in the accompanying financial statements as follows at December 31, 2025:

Cash and cash equivalents:		
Bank deposits and cash on hand	$	2,982,913
Government investment pools		2,827,727
Total cash and cash equivalents		5,810,640
Current assets:		
U.S. Treasury Notes		8,759,694
Total current investments		8,759,694
Non-current assets:		
U.S. Treasury Notes		19,439,676
Total non-current investments		19,439,676
Total cash and investments	$	34,010,010

Deposits

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 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.

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments.

3. Detailed Notes Concerning the Fund (continued)

Investments (continued)

At December 31, 2025, the District held the following investments and concentrations:

	Maturities			Total	% of
Investment Type	Less than 1 year	1-3 years	3-5 years	Fair Value	Portfolio Total
Government investment pool	$ 2,827,727	$ -	$ -	$ 2,827,727	9.1%
U.S. Treasury Notes	8,759,694	17,393,816	2,045,860	28,199,370	90.9%
Totals	$ 11,587,421	$ 17,393,816	$ 2,045,860	$ 31,027,097	100.0%

Government investment pools: The District invests in the Colorado Local Governmental Liquid Asset Trust (COLOTRUST), a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. At December 31, 2025, the District invested $2,827,727 in COLOTRUST PLUS+.

As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, certain repurchase agreements, and collateralized bank deposits, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of $1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments.

COLOTRUST PLUS+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less. At December 31, 2025, COLOTRUST PLUS+ had a credit rating of AAAm by Standard & Poor’s.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of December 31, 2025, $1,382,077 of the District’s deposits were exposed to custodial credit risk due to a U.S. Treasury redemption on December 31, 2025 that was invested immediately. Therefore, these funds were uninsured and uncollateralized. Subsequent to year end, these funds were moved to a PDPA approved bank.

Interest Rate Risk: Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with CRS, the District manages its exposure to declines in fair value by limiting the average maturity of its investments to five years or less.

Credit Risk: Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District’s investments in U.S. Treasury Notes were rated Aa1 at December 31, 2025 by Moody’s. The local government investment pool rating is included above.

3. Detailed Notes Concerning the Fund (continued)

Investments (continued)

Fair Value: Certain District investments are required to be categorized within the fair value hierarchy. Government investment pools are not required to be categorized. The District's investments in U.S. Obligations (U.S. Treasury Notes) are categorized as Level 2 investments and are valued using quoted market prices.

Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 144,728	$ -	$ -	$ 144,728
Construction in progress	1,252,522	4,382,744	(3,695,869)	1,939,397
Total capital assets, not being depreciated	1,397,250	4,382,744	(3,695,869)	2,084,125
Capital assets being depreciated:				
Water system	28,284,300	2,494,346	-	30,778,646
Sewer system	20,852,703	1,194,037	-	22,046,740
Buildings	2,225,377	21,486	-	2,246,863
Furniture, equipment, and vehicles	907,569	42,485	(51,421)	898,633
	52,269,949	3,752,354	(51,421)	55,970,882
Less accumulated depreciation for:				
Water system	(12,439,698)	(478,863)	-	(12,918,561)
Sewer system	(9,459,737)	(347,097)	-	(9,806,834)
Buildings	(1,366,727)	(57,803)	-	(1,424,530)
Furniture, equipment, and vehicles	(679,101)	(89,937)	51,421	(717,617)
	(23,945,263)	(973,700)	51,421	(24,867,542)
Total capital assets being depreciated, net	28,324,686	2,778,654	-	31,103,340
Total capital assets, net	$ 29,721,936	$ 7,161,398	$ (3,695,869)	$ 33,187,465

Long Term Debt

As of December 31, 2025, the District has no authorized but unissued debt.

4. Other Information

Retirement Plans

The District participates in the Colorado Retirement Association's (CRA) two retirement plans, a 401a defined contribution plan (401a plan) and a 457 deferred compensation plan (457 plan). The plans cover full-time employees who are at least 18 years of age. An employee is considered full-time if they work 40 hours per week for 12 months of the year. Employees are eligible to participate upon date of hire.

401a plan

The 401a plan is a defined contribution, money-purchase pension plan which requires each employee to contribute 6% of compensation. Compensation does not include overtime or bonus earnings. The District is required to match the contribution. Employee contributions are 100% vested while the District's contributions for each employee are vested at a rate of 50% after three years; 75% after four years; and 100% after five years of service. District contributions for, and earnings forfeited by, employees who leave employment prior to full vesting are used to reduce the District's subsequent contribution requirements. For the year ended December 31, 2025, the District contributed $50,622.

457 plan

The 457 plan is an employer-sponsored retirement plan that allows employees to defer receiving a portion of their current compensation until retirement or separation from service. Participation in this plan is voluntary and all contributions from this plan are from employees.

Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; and natural disasters for which the District carries commercial insurance.

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's 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 property, general liability, and public official's liability. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. 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. No distributions were made during the year ended December 31, 2025.

5. Intergovernmental Contracts and Agreements

Water Service Contract

The District is provided water under a master meter distributor’s contract with the Board of Water Commissioners of the City and County of Denver (Denver Water Board). The contract provides, among other things, that the Denver Water Board will serve the District through build out, may restrict the right of the District to issue new taps and requires compliance with their Operating Rules and Engineering Standards.

Service Contract - Metro Water Recovery (MWR)

The District has an agreement with MWR, formerly the Metro Wastewater Reclamation District, for final treatment and disposal of the District's sewage. The agreement provides for annual estimated charges that are assessed through the application of a predetermined formula. Adjustments to the estimated charge will be based on meter flows, content, and actual costs. The adjustments are billed or credited to the District during the two succeeding years. The District retains responsibility for the maintenance and future construction costs of all public sanitary sewer lines and retains title to all public sanitary sewer lines in the District.

The composition of the charges included in sewage treatment for the year ended December 31, 2025 is as follows:

Estimate for current year	$	2,986,470
Adjustments (positive) negative:		
Final second preceding year estimate to actual		(79,888)
Preliminary preceding year estimate to actual		137,583)
Total annual charges	$	3,044,165

The 2026 sewage treatment estimate is $2,892,257. The total net annual charge for 2026 is expected to be $2,344,637 which includes a favorable 2024 final adjustment of $270,065 and a favorable 2025 preliminary adjustment of $277,555.

Alameda Water and Sanitation District

The District has a formal agreement with Alameda Water and Sanitation District (Alameda) dated August 15, 2011 for the shared use of the Sanderson Gulch sewer line with Alameda to reimburse a portion of the costs subsequent to each year end. Based on the agreement, Alameda is to reimburse the District for the average flow per Equivalent Residential Unit (EQR) for properties flowing into the Sanderson Gulch Metering Facility. The cost per EQR is based on the annual charge for service charged by MWR as well as any costs of maintenance of the District facilities.

Green Mountain Water and Sanitation District

The District has a formal agreement with Green Mountain Water and Sanitation District (Green Mountain) for the shared use of Weir Gulch sewer line. Under the terms of the agreement, the District is to reimburse Green Mountain for a certain percentage of the Weir Gulch Metering Facility costs charged by Metro Water Recovery.

5. Intergovernmental Contracts and Agreements (continued)

Bear Creek Water and Sanitation District

The District has a formal agreement with Bear Creek Water and Sanitation District (Bear Creek) for a connection to the District's system. Under the agreement, Bear Creek installed approximately 1,870 feet of 12-inch pipe and a water meter to feed up to 250 single family residential taps in their district. Bear Creek maintains the water meter and vault, and the District maintains the 12-inch pipeline. Water supplied to Bear Creek through this connection is credited to the District each billing cycle.

The District has a formal agreement with Bear Creek Water dated April 11, 2011 for the shared use of a Bear Creek sewer line. Based on the agreement, the District is to reimburse Bear Creek for a pro-rata share of the District's fees charged by MWR together with the pro-rata share of the costs of operations and maintenance attributable to the provision of sanitary sewer services.

South Sheridan Water and Sanitation District

The District has a formal agreement with the South Sheridan Water and Sanitation District (South Sheridan) dated February 8, 2012 that sets forth the terms for the District and South Sheridan to provide sanitary sewer services to each other. It was determined that there are certain properties within the District's boundaries being serviced by South Sheridan and likewise, certain properties within South Sheridan's boundaries being serviced by the District. Per the agreement, each district will pay the other district the respective costs for services provided to these properties.

SUPPLEMENTARY INFORMATION

BANCROFT-CLOVER WATER AND SANITATION DISTRICT
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance with Final
Revenues:			
Charges for water services	$ 10,142,400	$ 10,030,718	$ (111,682)
Charges for sewer services	4,741,000	4,607,596	(133,404)
Other water income	60,000	111,625	51,625
Tap fees	810,030	56,300	(753,730)
Property taxes	617,998	627,347	9,349
Specific ownership taxes	45,000	46,152	1,152
Investment income	750,000	1,577,840	827,840
Other non-operating revenue	4,500	50,790	46,290
Total Revenues	17,170,928	17,108,368	(62,560)
Expenditures:			
Operating expense - water:			
Source of supply	7,709,314	7,412,194	297,120
Transmission, distribution and other expenses	1,465,885	1,858,686	(392,801)
Operating expense - sewer:			
Sewage treatment	3,076,588	3,044,165	32,423
Collection, transmission and other expenses	789,782	602,941	186,841
			-
General and administrative expenses	1,714,864	1,418,205	296,659
Capital outlay			
Water	1,672,500	2,273,896	(601,396)
Sewer	2,527,000	2,040,183	486,817
Administrative	525,000	90,150	434,850
Total Expenditures	19,480,933	18,740,420	740,513
Excess (Deficiency) of Revenues over Expenditures	$ (2,310,005)	$ (1,632,052)	$ 677,953
Beginning Funds Available		36,062,827	
Ending Funds Available		$ 34,430,775	

The accompanying notes are an integral part of these statements.

BANCROFT-CLOVER WATER AND SANITATION DISTRICT
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2025

Revenue (budgetary basis)	$ 17,108,368
Contributed assets	35,000
Revenues per Statement of Revenues, Expenses and Changes in Net Position	17,143,368
Expenditures (budgetary basis)	18,740,420
Depreciation	973,700
Capital outlay	(4,404,229)
Expenses per Statement of Revenues, Expenses and Changes in Net Position	15,309,891
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	$ 1,833,477

The accompanying notes are an integral part of these statements.