

COLUMBINE WATER AND SANITATION DISTRICT

Financial Statements

December 31, 2025

COLUMBINE WATER AND SANITATION DISTRICT

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Dazzo & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Columbine Water and Sanitation District
Arapahoe County, Colorado

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District, as of December 31, 2025, and the changes in financial position and its cash flows thereof 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages IV–VII 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 District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The Other Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the Other Information, and we do not express an opinion or any form of assurance thereon.

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

Dussio & Associates, P.C.

February 5, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

**COLUMBINE WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2025**

Our discussion and analysis of Columbine Water and Sanitation District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2025 and 2024. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference between the two reported as Net Position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in Net Position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's Net Position. All changes in 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. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

Net Position

As noted earlier, Net Position may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets exceed liabilities by \$1,117,936 and \$1,067,119 at December 31, 2025 and 2024, respectively. The largest portion of the District's Net Position reflects its investment in capital assets. The District uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Unrestricted Net Position may be used to meet the District's ongoing obligations to maintain the sewer systems within the jurisdictional boundaries.

Comparing 2024 to 2025, total assets increased \$43,288, primarily due to the increases in cash and investments of \$77,983 and a decrease in capital assets of \$34,695. This change in capital assets resulted from a decrease of \$42,395 for depreciation partially offset by a sewer system addition of \$7,700. The decrease in total liabilities of \$5,829 is mostly attributed to a decrease in the Long-Term portion of the contract payable (see Note 4) of \$9,284.

NET POSITION

	2025	2024
Assets		
Current Assets	\$ 998,611	\$ 920,628
Capital Assets	621,889	656,584
Total Assets	1,620,500	1,577,212
Liabilities		
Current Liabilities	26,412	22,770
Long-Term Liabilities	264,052	273,523
Total Liabilities	290,464	296,293
Deferred Inflows of Resources	212,100	213,800
Net Position		
Investment in Capital Assets	621,889	656,584
Restricted	7,800	8,200
Unrestricted	488,247	402,335
Total Net Position	\$ 1,117,936	\$ 1,067,119

Changes in Net Position

The increase in the District's Net Position for 2025 of \$50,817 is more favorable than the decrease in Net Position in 2024 of \$85,494. Total revenues decreased \$13,122 mostly as the result of decreases in property taxes of \$6,108 and interest income of \$6,136 while expenses decreased \$149,433 mainly due to decreases in repair and maintenance expenses associated with repairs to sewer lines and a lift station in 2024.

CHANGES IN NET POSITION

	<u>2025</u>	<u>2024</u>
Revenue		
General Revenue		
Property Tax	214,393	220,501
Specific Ownership Tax	11,692	12,570
Interest Income	33,692	39,828
Total Revenue	<u>259,777</u>	<u>272,899</u>
Expenses		
Operating	200,165	349,323
Nonoperating	8,795	9,070
Total Expenses	<u>208,960</u>	<u>358,393</u>
Change In Net Position	50,817	(85,494)
Net Position - Beginning	<u>1,067,119</u>	<u>1,152,613</u>
Net Position - Ending	<u>\$ 1,117,936</u>	<u>\$ 1,067,119</u>

BUDGETARY HIGHLIGHTS

Total revenue for 2025 was budgeted at \$260,200 and actual revenue was \$259,777 which resulted in a variance of \$423.

Total actual expenditures were \$183,549 or \$100,978 under budget due to less repair and maintenance expenditures in addition to the budgeted contingency of \$20,000 and emergency reserve of \$20,351 which were not needed during 2025.

LONG-TERM DEBT

At the end of 2025, the District had a total balance outstanding under the Capital Construction Cost Allocation Intergovernmental Agreement of \$273,524. The District is obligated to assess a mill levy to fund the annual payments of \$14,900 under this agreement until termination.

Additional information on the District's long-term obligations can be located in Note 4 to the financial statements.

ECONOMIC FACTORS NEXT YEAR'S BUDGET

Following are key factors related to the District's 2026 budget:

- Total revenue for 2026 is budgeted at \$254,497.
- Property and specific ownership taxes for general operating purposes for 2026 are budgeted in the amount of \$214,645 which represents 88.0% of total District budgeted revenue.
- Property taxes for 2026 for the Capital Construction Cost Allocation Intergovernmental Agreement are budgeted in the amount of \$14,869 (See Note 5).
- Total expenditures for 2026 are budgeted at \$369,394 (including Contingency and Emergency Reserves), \$84,867 more than budgeted in 2025, mostly as the result of an increase in the budget for lift station and remedial repairs and maintenance.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Columbine Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, Columbine Water & Sanitation District, 8739 W. Coal Mine Ave., Littleton, Colorado 80123.

BASIC FINANCIAL STATEMENTS

COLUMBINE WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2025

ASSETS

CURRENT ASSETS

Cash and Investments	\$ 770,319
Cash and Investments - Restricted	7,800
Receivable from County Treasurer	1,010
Property Taxes Receivable	212,100
Prepaid Items	7,382
Total Current Assets	998,611

CAPITAL ASSETS

Nondepreciable	12,784
Depreciable, net of accumulated depreciation	609,105
Total Capital Assets	621,889
Total Assets	1,620,500

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	15,809
Accrued Interest Payable	1,131
Contracts Payable Within One Year	9,472
Total Current Liabilities	26,412

LONG-TERM LIABILITIES

Contracts Payable in More Than One Year	264,052
Total Liabilities	290,464

DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue - Property Tax	212,100
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NET POSITION

Investment in Capital Assets	621,889
Restricted for Emergencies	7,800
Unrestricted	488,247
Total Net Position	\$ 1,117,936

The notes to the financial statements are an integral part of this statement.

COLUMBINE WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2025

OPERATING EXPENSES	
Accounting	\$ 7,308
Administration	12,833
Audit	5,000
Insurance	5,870
Legal	19,510
Miscellaneous	970
Repairs and Maintenance	81,022
Interceptor Cost Reimbursement	14,461
Utilities	10,796
Depreciation Expense	42,395
Total Operating Expenses	200,165
INCOME (LOSS) FROM OPERATIONS	(200,165)
NONOPERATING REVENUES (EXPENSES)	
Property Tax	214,393
Specific Ownership Tax	11,692
Interest Income	33,692
Treasurer's Fees	(3,219)
Contract Interest	(5,576)
Total Nonoperating Revenues (Expenses)	250,982
NET INCOME (LOSS) - CHANGE IN NET POSITION	50,817
NET POSITION - BEGINNING	1,067,119
NET POSITION - ENDING	\$ 1,117,936

The notes to the financial statements are an integral part of this statement.

COLUMBINE WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

Cash Flows from Operating Activities	
Cash Payments to Suppliers for Goods and Services	<u>\$ (155,788)</u>
Cash Flows from Noncapital Financing Activities	
Property Tax	214,393
Specific Ownership Tax	11,928
Treasurer's Fees	<u>(3,219)</u>
Net Cash (Used) by Noncapital Financing Activities	<u>223,102</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(7,700)
Principal Paid on Long-Term Debt	(9,284)
Interest Paid on Long-Term Debt	<u>(5,615)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(22,599)</u>
Cash Flows from Investing Activities	
Interest Income	<u>33,692</u>
Net Increase (Decrease) In Cash and Cash Equivalents	78,407
Cash and Cash Equivalents - Beginning	<u>699,712</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 778,119</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ (200,165)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	42,395
Effect of Changes In Operating Assets and Liabilities	
Prepaid Expense	(1,512)
Accounts Payable	<u>3,494</u>
Total Adjustments	<u>44,377</u>
Net Cash Provided by Operating Activities	<u><u>\$ (155,788)</u></u>

The notes to the financial statements are an integral part of this statement.

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 REPORTING ENTITY

Columbine Water and Sanitation District (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by Order and Decree of the District Court in and for Arapahoe County, Colorado (the County) in 1956, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established to provide water and sanitation services to property within its service area.

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 reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based upon the above criteria, 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.

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying financial statements are presented per GASB No. 34.

The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position.

Major individual enterprise funds are reported as separate columns in the financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The 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. Property taxes are recognized as revenues in the year for which they are collected.

The District reports the following major proprietary fund:

Enterprise Fund - The Enterprise Fund accounts for the activities associated with providing water and sewer services to the citizens of the District.

The Enterprise Fund accounts for the operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the Enterprise Fund. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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. The appropriation is at the total fund expenditures level and lapses at year end.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents. During 2025, the District did not receive any noncash capital contributions.

Assets, Liabilities and Net Position Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2025, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. This item is deferred property taxes, which is reported as a deferred inflow of resources until the revenue becomes available.

Long-Term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of any bond premium or discount where applicable.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., water system improvements, sewer system improvements, and related items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets without regard to minimal threshold limits. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Revenues, Expenses and Changes in Net Position as a current charge. Improvements that will be conveyed to other governmental entities are classified as

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Water and sewer systems	24-50 years
Slip lining	15 years
Equipment	5 years

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Utility plant extensions constructed by various developers to serve their subdivisions are deeded to the District at no cost upon completion and acceptance. The District then assumes maintenance and capital replacement responsibility for the lines. The extensions (water and sewer lines) are accounted for at cost as determined by the developers. During 2025, the District did not receive any capital contribution of water or sewer lines from any developer.

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 Commissioners 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 30 or if in equal installments, at the taxpayers' 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.

Property taxes, net of estimated uncollectible 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. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Investment in capital assets - consists of capital assets reduced by outstanding balances of any related debt obligations, if any, and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position- consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

NOTE 3 CASH AND INVESTMENTS

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

Cash and Investments	\$ 770,319
Cash and Investments - Restricted	<u>7,800</u>
Total	<u>\$ 778,119</u>

Cash and investments as of December 31, 2025, consist of the following:

Deposits with Financial Institutions	\$ 4,713
Investments	<u>773,406</u>
Total	<u>\$ 778,119</u>

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Cash Deposits

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party.

The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. 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 (\$250,000) 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 equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized.

The State Regulatory Commissions 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, the District's cash deposits had a bank balance of \$5,175 and a carrying balance of \$4,713. At December 31, 2025, the District's deposits were insured by federal depository insurance and therefore was not exposed to custodial credit risk.

Investments

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

The District generally limits its concentration of investments to obligations of the United States, certain U.S. government agency securities and Local Government Investment Pools, 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 disclosure requirements or subject to investment custodial credit risk 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 Trustees, such actions are generally associated with a debt service reserve or sinking fund requirements.

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Colorado Revised 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 US 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

At December 31, 2025, the District had the following investment:

	<u>Maturity</u>	<u>Amount</u>
<u>Colorado Government Liquid Asset Trust (COLOTRUST PLUS+)</u>	Weighted Average under 60 Days	<u>\$ 773,406</u>

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 and each share is equal in value to \$1.00, offer daily liquidity. 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 Section 24-75-601, C.R.S.

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 Section 24-75-601, C.R.S., including

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

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 Section 24-75-601, C.R.S.

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 PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AA Af/S1 by FitchRatings. 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

Capital asset activity for the year ended December 31, 2025 for the District's business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 12,784	\$ -	\$ -	\$ 12,784
Depreciable Capital Assets:				
Sewer System	2,362,386	7,700	-	2,370,086
Water System	377,973	-	377,973	-
Total Depreciable Capital Assets	2,740,359	7,700	377,973	2,370,086
Accumulated Depreciation:				
Sewer System	(1,718,586)	(42,395)	-	(1,760,981)
Water System	(377,973)	-	(377,973)	-
Total Accumulated Depreciation	(2,096,559)	(42,395)	(377,973)	(1,760,981)
Net Depreciable Capital Assets	643,800	(34,695)	-	609,105
Total Business-Type Activities	\$ 656,584	\$ (34,695)	\$ -	\$ 621,889

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term debt for the year ended December 31, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Placements					
Capital Construction Cost					
Allocation IGA	\$ 282,808	\$ -	\$ 9,284	\$ 273,524	\$ 9,472
Total	<u>\$ 282,808</u>	<u>\$ -</u>	<u>\$ 9,284</u>	<u>\$ 273,524</u>	<u>\$ 9,472</u>

Capital Construction Cost Allocation Intergovernmental Agreement

On March 13, 2020, the District entered into a Capital Construction Cost Allocation Intergovernmental Agreement with Valley Sanitation District (Valley) whereby the District agreed to reimburse Valley for the District's share in the capital improvements related to the rehabilitation of the Valley-owned Outfall Sewer Line, as that term is defined in the agreement. Per the agreement, the District's allocation of the cost of the Interceptor Rehabilitation Project is not to exceed a total of \$447,000 and not to exceed an annual payment of \$14,900. Payments are due annually by no later than October 15th. The District's obligation is to assess a mill levy of 0.300 mills, adjusted downward if the taxes levied exceed the annual maximum of \$14,900. Before the agreement was entered into, the District honored the request from Valley to equitably share in the costs of the improvements by remitting \$14,900 to Valley in 2019. An election was held on November 5, 2019 (See Note 6) to increase taxes by \$14,900 in 2020 and thereafter for annual reimbursement payments to Valley. For 2024 and 2025, the mills levied were 0.192 mills and 0.191 mills, respectively. The agreement will terminate on the earlier of December 31, 2048, or the date on which the District has paid the maximum of \$447,000.

As of December 31, 2025, the District has paid a total of \$104,300 under this agreement consisting of \$61,276 of principal and \$43,024 of interest.

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

The following is a summary of the annual long-term debt principal and interest requirements.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 9,472	\$ 5,428	\$ 14,900
2027	9,662	5,238	\$ 14,900
2028	9,856	5,044	14,900
2029	10,054	4,846	14,900
2030	10,256	4,644	14,900
2031-2035	54,457	20,043	74,500
2036-2040	60,155	14,345	74,500
2041-2045	66,450	8,050	74,500
2045-2048	43,162	1,538	44,700
	<u>\$ 273,524</u>	<u>\$ 69,176</u>	<u>\$ 342,700</u>

NOTE 6 INTERGOVERNMENTAL AGREEMENTS

Water Service Agreement - Denver Water Board

The District has a Total Service Water Service Agreement with the Board of Water Commissioners of the City and County of Denver (Denver Water Board) which was renegotiated and effective as of December 6, 1994, whereby the Denver Water Board provides water in the District's service area and charges the users directly. All water lines in the District have been conveyed to the Denver Water Board which is responsible for the maintenance and repair of those lines.

Sewer Connector's Agreement - City of Englewood

The District entered into a Connector's Agreement dated February 23, 1989, with the City of Englewood (Englewood), whereby Englewood provides sewer treatment services to users within the District's service area and charges those users directly for such services. The agreement was for a term of three years and automatically renewed for six additional 3-year periods. The District entered into a new Connector's Agreement dated September 16, 2013, which agreement provides for provision of substantially the same services and charges as the 1989 agreement. This new agreement is also for a term of three years and automatically renews for six additional 3-year periods. The 2013 agreement was modified by an Addendum to Connector's Agreement dated December 2, 2016, and effective January 1, 2017, executed to correct the name of the District within the original agreement, implement an industrial pretreatment program, pursuant to applicable laws, and to clarify the obligations and responsibilities of the District and Englewood.

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Sewer Service Agreement - City of Littleton

The District entered into a Sewer Service Agreement dated June 17, 1988, with the City of Littleton (Littleton), whereby Englewood provides sewer treatment services to users within the District's service area and charges those users directly for such services. The agreement was modified by an Addendum to the Sewer Service Agreement dated December 2, 2016, and effective January 1, 2017, in order to implement an industrial pretreatment program, pursuant to applicable laws, and to clarify the obligations and the responsibilities of the District and Englewood. The agreement will continue until terminated by a mutual agreement of the District and Englewood.

Administration and Maintenance Agreement - Platte Canyon Water and Sanitation District

The District entered into an Administrative and Maintenance Services Agreement with Platte Canyon Water and Sanitation District (Platte Canyon), effective October 1, 2013, whereby Platte Canyon provides limited administrative and certain sewer maintenance services for the District. Costs incurred by the District in connection with the agreement are reported as administration and repairs and maintenance expenses. This agreement is automatically extended for successive one-year periods until terminated by either party.

Maintenance Cost Allocation Agreement - Valley Sanitation District

The District entered into a Maintenance Cost Allocation Agreement with Valley Sanitation District (Valley), dated February 9, 1987, whereby the District agreed to pay a regular maintenance and service charge to compensate Valley for the District's use of Valley's Outfall Sewer Line, as that term is defined in the agreement. The proportionate share was agreed to be 12.4% of Valley's costs of normal operation, maintenance and administration. On March 13, 2020, the District and Valley entered into an Amended and Restated Maintenance Cost Allocation Agreement (the Amended and Restated Agreement) in order to formalize the cost allocation of operation, maintenance, and administration expenses and establish annual reporting requirements and accounting responsibilities. Pursuant to the Amended and Restated Agreement, the District's maintenance share shall not be applied to fund any replacement or capital expense of the Outfall Sewer Line, as defined therein, or other portion of the Valley sewer system and shall be determined based upon the Sewer Tap Ratio Table, as defined therein, which will be recalculated annually by Valley.

The Amended and Restated Agreement automatically renews each year on January 1 for a one-year term expiring on December 31 of each subsequent year, subject to the District's annual appropriation of funds until termination by mutual agreement of the District and Valley. The Amended and Restated Agreement has automatically renewed through December 31, 2025.

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

During 2025 and 2024, the District reimbursed Valley \$14,461 and \$29,607, respectively, in accordance with the Amended and Restated Agreement.

NOTE 7 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (Pool) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

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.

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.

COLUMBINE WATER AND SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

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, may require judicial interpretation.

On November 5, 2002, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

On November 3, 2015, a majority of the District's electors authorized the District to increase the District's operations and maintenance mill levy up to 2.564 mills beginning in collection year 2016 and thereafter for the purpose of paying for the District's operations, maintenance, repair and replacement costs, which increase will not cause a net increase in the total mill levy assessed by the District because it will be offset by an equal decrease in the District's debt service mill levy, which will no longer be assessed because the District's debt was retired in 2015.

On November 5, 2019, a majority of the District's electors authorized the District to increase the District's taxes by \$14,900 in 2020 and annually thereafter by such amount as may be raised from an additional mill levy of up to 0.300 mills for the purpose of paying a portion of the costs of Valley Sanitation District's Outfall Sewer Line (see Note 5). The revenues from all taxes used to pay such intergovernmental agreement and any earnings from the investment of such proceeds and revenues shall be collected, retained, and spent, notwithstanding any other revenue limits provided bylaw.

SUPPLEMENTARY INFORMATION

COLUMBINE WATER AND SANITATION DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE -
BUDGET AND ACTUAL (BUDGETARY BASIS)**

For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Property Tax	\$ 214,645	\$ 214,393	\$ (252)
Specific Ownership Tax	15,025	11,692	(3,333)
Interest Income	30,530	33,692	3,162
Total Revenues	<u>260,200</u>	<u>259,777</u>	<u>(423)</u>
Expenditures			
Accounting	6,500	7,308	(808)
Administration	17,000	12,833	4,167
Audit	5,500	5,000	500
Election	3,500	-	3,500
Insurance	6,350	5,870	480
Legal	27,500	19,510	7,990
Miscellaneous	1,300	970	330
Public Relations	2,500	-	2,500
Engineering	1,000	-	1,000
Repairs and Maintenance	114,185	81,022	33,163
Interceptor Cost Reimbursement	19,655	14,461	5,194
Southwest Metro (Three Ponds Agr	700	-	700
Utilities	12,666	10,796	1,870
Contract Principal	9,284	9,284	-
Contract Interest	5,616	5,576	40
Treasurer's Fees	3,220	3,219	1
Capital Outlay	7,700	7,700	-
Contingency	20,000	-	20,000
Emergency Reserve	20,351	-	20,351
Total Expenditures	<u>284,527</u>	<u>183,549</u>	<u>100,978</u>
Excess Revenues Over (Under)			
Expenditures	(24,327)	76,228	100,555
Funds Available - Beginning	678,358	693,343	14,985
Funds Available - Ending	<u>\$ 654,031</u>	<u>\$ 769,571</u>	<u>\$ 115,540</u>

Funds Available is Computed as Follows:

Current Assets	\$ 998,611
Liabilities and Deferred Infows of Resources	(238,512)
Add Current Portion of Long-Term Debt	<u>9,472</u>
	<u>\$ 769,571</u>

See the Independent Auditor's Report

COLUMBINE WATER AND SANITATION DISTRICT

**RECONCILIATION OF REVENUES AND EXPENDITURES BUDGETARY BASIS
BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION**

For the Year Ended December 31, 2025

Revenue (Budgetary Basis)	<u>\$ 259,777</u>
Expenditures (Budgetary Basis)	183,549
Capital Expenditures	(7,700)
Depreciation	42,395
Loan Principal	<u>(9,284)</u>
Total Expenses Per Statement of Revenues, Expenses and Changes in Net Position	<u>208,960</u>
Change in Net Position Per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 50,817</u></u>

See the Independent Auditor's Report

OTHER INFORMATION

COLUMBINE WATER AND SANITATION DISTRICT

**SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED**

Levy Year	Collection Year	Assessed Valuation	Mills Levied		Total Levy	Current Collection	Collection Rate
			Operations	Debt Service			
2007	2008	\$ 39,610,720	1.528	1.009	\$ 100,492	\$ 100,548	100.06%
2008	2009	40,260,090	1.528	0.993	101,496	101,123	99.63%
2009	2010	41,012,480	1.528	0.975	102,654	102,792	100.13%
2010	2011	41,158,680	1.528	0.971	102,856	102,838	99.98%
2011	2012	37,984,560	1.528	1.053	98,038	97,928	99.89%
2012	2013	38,193,390	1.528	1.047	98,348	98,343	99.99%
2013	2014	37,938,680	1.528	1.054	97,958	97,955	100.00%
2014	2015	38,647,418	1.528	1.036	99,092	98,940	99.85%
2015	2016	44,847,864	2.564	0.000	114,990	114,796	99.83%
2016	2017	45,194,347	2.564	0.000	115,878	115,726	99.87%
2017	2018	48,383,068	2.564	0.000	124,054	123,940	99.91%
2018	2019	50,611,529	2.564	0.000	129,768	129,356	99.68%
2019	2020	56,661,953	2.564	0.262	160,127	159,989	99.91%
2020	2021	56,719,125	2.564	0.262	160,288	158,460	98.86%
2021	2022	60,861,610	2.564	0.244	170,899	170,178	99.58%
2022	2023	59,789,523	2.564	0.249	168,188	167,577	99.64%
2023	2024	77,465,405	2.564	0.192	213,495	220,501	103.28%
2024	2025	77,911,010	2.564	0.191	214,645	214,393	99.88%

Estimated for the year ending

December 31,

2025	2026	\$ 76,643,893	2.564	0.194	\$ 211,384
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Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

Source: Arapahoe County Assessor and Treasurer

COLUMBINE WATER AND SANITATION DISTRICT

DEBT SERVICE REQUIREMENTS TO MATURITY

**Obligation under Capital Construction Cost Allocation
Intergovernmental Agreement.
Payments Due Annually on October 15**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 9,472	\$ 5,428	\$ 14,900
2027	9,662	5,238	14,900
2028	9,856	5,044	14,900
2029	10,054	4,846	14,900
2030	10,256	4,644	14,900
2031	10,462	4,438	14,900
2032	10,673	4,227	14,900
2033	10,887	4,013	14,900
2034	11,106	3,794	14,900
2035	11,329	3,571	14,900
2036	11,557	3,343	14,900
2037	11,789	3,111	14,900
2038	12,026	2,874	14,900
2039	12,268	2,632	14,900
2040	12,515	2,385	14,900
2041	12,766	2,134	14,900
2042	13,023	1,877	14,900
2043	13,285	1,615	14,900
2044	13,552	1,348	14,900
2045	13,824	1,076	14,900
2046	14,102	798	14,900
2047	14,385	515	14,900
2048	14,675	225	14,900
	<u>\$ 273,524</u>	<u>\$ 69,176</u>	<u>\$ 342,700</u>